



China in Latin America: The Other Side of the Coin



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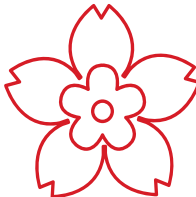
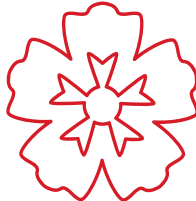
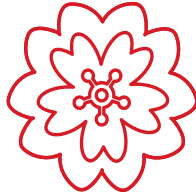
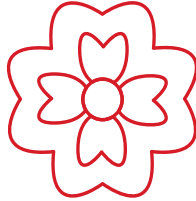
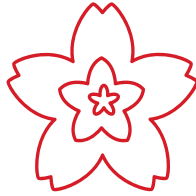
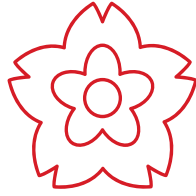


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INTRODUCTION

The year 2024 will see the celebration of the first 20 years of institutional life of the Liberal Network for Latin America (RELIAL). Since the foundation of the network, one of its key cohesive components has been — and continues to be — the defense of liberal principles and values through study and research. That is why most of our members are organizations that identify themselves as *think tanks*, study centers, or training institutes, with many of them coordinating their efforts with liberal political parties within the region, which are also members of the network.

The academic mindset of its members is one of RELIAL's most distinctive features. That is why, in an effort to further strengthen that principle, we have launched the “Research at RELIAL Permanent Seminar” project, an initiative that we hope will be sustained over time to bring together the intellectual talent of our members around topics that we can explore in depth with professionalism, methodological rigor, and multidisciplinary approaches.

Early in 2023, we decided that the first challenge we would address would be “China's Influence in Latin America”, an issue that will be the subject of our research in 2023-2024. We thus issued a call to members having teaching experience, extensive experience in academic research, and, of course, knowledge of and enthusiasm for the subject matter. Considering that immersing ourselves in such a broad and urgent topic would open up a complex discussion, we decided to let the experts themselves define the profile and nature of the first edition of the Seminar.

It would be a commonplace to claim that the results exceeded our expectations, and that could diminish the value of what we have produced as our first offering. However, there is no denying

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that the study group we formed succeeded in building synergy, commitment, and sustained work, making it possible to materialize a publication with six articles and an essay that not only discusses the problems surrounding the subject matter but also addresses new and fresh angles that will help us understand why this situation should be of concern to us all and why it constitutes a challenge that should be taken seriously by all liberals.

There is no doubt that China's economic growth has reshaped global geopolitics in recent decades. Not surprisingly, in this new landscape Latin America and the Caribbean have become a breeding ground for the advancement of the Asian giant, not only to build strategic diplomatic relations but also to secure a foothold for its implicit power. As we know, China has successfully positioned itself as the main trading partner for most of the countries in the region — largely favored by the prices of raw materials and foodstuffs. But the outlook may prove to be different today due to a slowdown in its economy. Nonetheless — now moving closer to the point that most concerns the Seminar — the Chinese government has become a major political actor by leveraging its relations with the other governments in the region, allocating substantial amounts to fund infrastructure, agriculture, and mining projects.

That said, it is not only the economic factor that worries us. We are particularly concerned about the potential rise of an authoritarian model in Latin America — namely, the authoritarian model that the Chinese Communist Party has been successfully establishing in China since Xi Jinping came to power as Secretary General in 2012, and which it is seeking to globalize as part of its expansionist policy, appealing to the so-called *soft power*.

On more than one occasion, UN member countries have condemned in various forums and reports the crimes against humanity committed by China. Just to mention one, let us recall

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that “...in 2022, the Office of the United Nations High Commissioner for Human Rights published a report on the human rights violations committed by the Chinese government against Turkic Muslim communities in Xinjiang...” (Human Rights Watch [HRW], 2023). Indeed, Bulkhalter (2023) noted that, at the Human Rights Council session, Beijing authorities reportedly referred to “promoting their own vision of human rights and bringing the UN system into line with their authoritarian regime.”

For a member network whose top three fundamental values are respect for Human Rights, the defense of Democracy, and the primacy of the Rule of Law, it is of great concern that the Chinese Communist Party government is making moves and building relationships in our region. As liberals, and as representatives of civil society organizations and political parties that stand for freedom in all forms and expressions, we must step in and act. The “RELIAL Permanent Research Seminar” constitutes a first step. Getting involved with the issue to inform our societies is the first approach we have undertaken so that we can stand up to authoritarianism from where we stand.

This literary journey begins in Chapter 1, “The Confucius Institute in Latin America: A Case of Implicit Authoritarian Propaganda,” **Marcos Falcone** sets out to inquire whether China is disseminating propaganda in Latin America, furthering its foreign policy objectives and promoting its authoritarian model. His article presents a case study that not only sheds light on the expansion the Institute is experiencing in the region but also reveals how it has helped the Chinese government to successfully spread its propaganda.

Falcone’s study discusses a variety of issues and findings, including the arbitrary manipulation of content around the academic-cultural offerings of the Institute, because, as he notes,

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they talk about everything but politics. And another factor that Falcone addresses with great insight is the “implicit” nature of this type of authoritarian propaganda. He argues that the propaganda operation successfully remains implicit because, as far as we can see, there are issues that the Confucius Institute systematically chooses not to address.

Next, in Chapter 2, “Hong Kong and China: A Possible Future for ‘Latin America’?”, **Pedro Isern** presents a rigorous macroeconomic and historical inquiry based on comparative methods. His study provides a perspective of what could happen in the region, particularly in Uruguay, by looking at what happened with people’s freedoms in Hong Kong and highlighting the institutional and moral costs in the medium term.

In his analysis, the author presents significant findings that are still under-analyzed in the global political context. Using updated indexes and data, he thus identifies correlations that we should start to seriously consider. One of such key correlations is the observation that the repressive strength of a regime is closely linked to its economic prosperity, which is in turn the result of having benefited from trade relations with liberal democracies in the West. From this correlation, Isern rightly concludes that open societies should not trade or interact with dictatorships because that gives them leverage to undermine the freedoms of small or medium-sized countries with more fragile democracies.

Then comes Chapter 3, “The OAS-CELAC Strategic Competition and the Role of China,” where **Alonso E. Illueca** notes that the diplomatic presence of the Republic of China goes beyond multilateral relations, pursuing a global strategy aimed at blunting the Inter-American order and building an alternative one.

The author arrives at that conclusion by rigorously analyzing the role that the OAS and CELAC have played in recent years.

In that context, he draws on facts, figures, and relevant events to show how China has been promoting CELAC as a new key platform and how the China-CELAC cooperation has been strengthened under a programmatic approach that appears to be seeking to compete with the OAS and to remove it from the picture. Few analyses have investigated the presence of the People's Republic of China in the organizations and political mechanisms within the American hemisphere, including its strategic objectives, and thus his study makes a valuable contribution to the discussion concerning relations and their rules under international law.

On chapter 4, “The Role of Chinese Digital Technology in Strengthening and Enhancing Authoritarianism in Latin America in the 21st Century: The Case of Venezuela”, by **Pedro Urruchurtu**, who conducted his research paying particular attention to the current trend around digital authoritarianism. His article draws attention to the technological deployment undertaken by China around the world, empowering authoritarian regimes to expand their reach and enhance their tools of oppression in order to exert social control and remain in power, especially through tracking, surveillance, and censorship. His focus points to what is happening in Venezuela, a country whose cooperation ties with China have only grown closer over the past few years. Is it indeed a tool that favors the authoritarian exercise of power, or does it actually bring benefit to people through the so-called digital government? That is one of the key questions that Urruchurtu addresses in his study.

In a similar fashion, in Chapter 5, “The Geopolitical Impact of Increased Chinese Cooperation in Latin America in 2015-2019,” **Federico Rabino** not only identifies significant economic variables but also opens the discussion on the need to restore democratic mechanisms with greater bilateral synergies in

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order to curb China's current positioning in the region and in the world. His analysis suggests that economic benefits should take precedence over the freedom of action of governments and of the individuals who comprise them. He suggests paying attention to the countries that have not yet established a relationship with China, like Guatemala and Paraguay.

Finally, in Chapter 6, "The change in relations between small Andean countries (Ecuador and Peru) and great powers (China) following the COVID-19 pandemic" **Santiago Carranco** examines how the effects of the pandemic and the steps taken to curb it impacted the global economy and how the situation provided an opportunity to expand the influence of rising great powers like China. Drawing on a qualitative methodology and a deductive approach, his study reveals significant insights about the trade, production, and credit aspects of the situation. His recommendations include paying more attention to China's rise as a global power throughout the pandemic and exploring how China leveraged its advantage in production and knowledge to further its global influence in order to understand the emerging power dynamics in the 21st century, and he accompanies that with an outline of further lines of research.

The book closes with an epilogue by Manuel J. Molano, who honored our publication with an essay entitled "The Cat and Mouse Ideology Matters: The Rollback of Freedom in Xi Jinping's China." Molano presents us with a historical essay that retraces the transformations of the Chinese economy and illustrates how the authoritarian leanings of its current leader played a decisive role in curtailing the liberties of its people. Drawing on his experience as an economist, he explains how the Chinese economy has fallen short of two key ingredients: individual initiative and a state that is committed to the prosperity of its citizens — both key values to liberalism.

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In another insightful passage of his essay, the author writes: “People typically flee from authoritarian and poor places like Venezuela. Without prosperity, China would quickly become a highly repressive nation and a major source of migrants, with impoverishment gradually leading to a crisis where people would naturally demand more personal freedoms — if they were to stay...”.

The initiatives arising from the Research at RELIAL Permanent Seminar are only just getting started. RELIAL’s hope with these initial steps is to cultivate a proactive attitude, which we are convinced will be well received by those who find in research a powerful source of encouragement to create not only knowledge but also — and even better — transformative ideas.

Silvia Mercado A.

RELIAL’S COORDINATOR

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THE CONFUCIUS
INSTITUTES IN
LATIN AMERICA:
A CASE OF
IMPLICIT
AUTHORITARIAN
PROPAGANDA



THE CONFUCIUS INSTITUTES IN LATIN AMERICA: A CASE OF IMPLICIT AUTHORITARIAN PROPAGANDA

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AUTHOR'S NOTE

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ABSTRACT

This study examines the activities of the Confucius Institutes in Latin America and considers the hypothesis that such activities constitute a form of Chinese propaganda that contributes to the erosion of democracy. Relying on the available evidence, this case study reveals a deliberate intention by the Confucius Institute to

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mislead Latin Americans into an understanding of China that entirely omits its authoritarian attributes and the conflicts surrounding its political regime.

Keywords: China, Confucius Institute, Communist Party, propaganda.

INTRODUCTION: AUTHORITARIAN PROPAGANDA IN LATIN AMERICA?

For some years now, the unipolar nature of the world has been a feature more of the past than of the present. Indeed, the continued dominance of the U.S. in the economic and military spheres following the downfall of the Soviet Union in the 1990s has been gradually dwindling. The famous “end of history” foretold by Francis Fukuyama did not come to pass; instead, new countries that embraced global capitalism during the second half of the 20th century have amassed enough wealth and power to challenge U.S. leadership in the world. Due to the speed and magnitude of its changes, the most notable of such nations is the People’s Republic of China.

But what values is China seeking to promote around the world in terms of government? Just as the United States has been seen repeatedly promoting its republican model in other countries through a variety of channels, what ideas is China promoting? Considering that its political regime is not democratic, it is precisely on this point that the question arises as to whether China represents an authoritarian threat to the rest of the world, either directly via its growing military strength or indirectly via its cultural and media influence.

As such, this study aims to determine whether China is spreading propaganda in Latin America to legitimize its own foreign policy objectives and promote authoritarianism.

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To that end, we will examine the magnitude and features of how deeply the Confucius Institutes have penetrated various Latin American countries.

Among other elements, this paper looks at the contents taught by the institute's country offices in various Latin American countries, their internal functioning, the processes by which various Latin American countries have authorized their presence, and the impacts of their expanding reach on how China is understood by the public in Latin America.

Why the Confucius Institute? While China's foreign policy goes beyond any specific agency, the recent growth in the number of Confucius Institute offices constitutes one of the country's most direct and unchallenged initiatives across Latin America, notwithstanding the controversy that its expansion has sparked in the U.S. and Europe. Indeed, the Confucius Institute in Latin America has become increasingly interesting as a *proxy* for Chinese foreign policy, as it is framed by a single institution on which there is not only information available from the Chinese government itself — presenting it as a success story — but also research on its activities outside of Latin America.

How can we establish whether the Confucius Institute constitutes a propaganda operation undertaken by the Chinese government? The definition of the term “propaganda” is an elusive one and has been historically under debate, but we will nevertheless use the one proposed by Jowett and O'Donnell, which describes it as “the deliberate and systematic attempt to shape perceptions, manipulate cognitions, and direct behavior to achieve a response that furthers the desired intent of the propagandist” (2015: p.7). As such, identifying an instance of propaganda requires one to pinpoint

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a specific institution, a particular set of propaganda agents, a set of messages spread by them through various media, and a network of people who will also distribute the message by indirect means (Jowett and O'Donnell, 2015: p.393-395). If the activities of our subject of study are consistent with this definition of propaganda and we can identify elements that signify a propaganda process in context, then we can say that the Confucius Institute constitutes a propaganda operation undertaken by the Chinese government.

In addition, we can further assess whether the propagandistic messages are consistent with the promotion of authoritarianism, which in this study shall be understood as a system that concentrates political power, flouts the development of consensus, undervalues representative institutions, suppresses opposition, and restricts or overrides the mechanisms that transfer power from the base to the apex (based on Stoppino, 1986). If that is indeed the case, then we can also conclude that the Confucius Institute constitutes an operation of *authoritarian* propaganda by the Chinese government. Herein lies, indeed, the hypothesis behind this study.

The methodology used to examine the case of the Confucius Institute is the one known in political science as a “case study”, which is particularly suitable for studying historical processes and analyzing problems involving a complex set of causal factors (Peters, 1998). Due to the limited (or even non-existent) number of countries comparable to China in terms of economic power and recent growth, it is not essential to generalize any conclusions here, so the major drawback associated with case studies becomes irrelevant. Although sometimes reference is made to institutions that China claims are similar to its own institute (including the German

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Goethe Institut or the English British Council), this study did not rely on comparative methods, which would require greater resources to study several organizations at the same time.

As such, the difficulty of data collection can vary. For one thing, the Chinese government itself regularly publishes data about the Confucius Institute, facilitating initial data collection. However, data collection from within the institute itself is problematic, given the reluctance of its members to take part in research not conducted by the Chinese Ministry of Education. Indeed, as part of a recent study conducted by Fundación Libertad on the influence of the governments of China, Russia, and Iran in Argentina and Chile, executives of the Confucius Institute's offices explicitly declined numerous invitations for interviews. At the same time, however, several Confucius Institute offices in Latin America have been the subject of numerous studies and newspaper articles that serve as secondary sources.

THE STATE OF THE ART: THE EXPANSION OF CHINA AND THE CONFUCIUS INSTITUTE

The expansion of China's activity around the world is widely known. On the economic front, China's economic growth has outpaced that of most other nations since the 1970s, when the communist regime decided to open the country to international trade, rising from around 2% of the world economy in 1980 to around 18.5% in 2022, an unprecedented record (The Global Economy, 2020; World Economics Research, 2023).

In Latin America, the ramifications of such a phenomenon are also well known: China has now become the region's second-largest trading partner, second only to the U.S. (Roy,

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2023). Indeed, if we consider South America as a region in its own right, China surpasses the U.S. as its main trading partner.

However, China's economic expansion has come hand in hand with an increase in government efforts to advance the country's interests. This reality is even acknowledged by the Chinese government itself, which in 2008 and 2016 published *policy papers* on Latin America that talk about “strengthening cooperation” in the political, social, and cultural spheres in addition to the economic initiatives (Ministry of Foreign Affairs of the People's Republic of China, 2008, 2016).

Indeed, China undertakes interventions through the use of what has been referred to as *soft* and *sharp power* — i.e., through a series of cultural and ideological initiatives aimed at promoting a political system or subverting a foreign one respectively (Albert, 2018; Foxall y Hemmings, 2019; Casarini *et al.*, 2022; Repnikova, 2022). Some of those initiatives are “camouflaged”, meaning that they are not openly promoted as Chinese government initiatives. Others, however, are indeed marketed as governmental actions but with strictly apolitical aims, such as the promotion of Chinese culture abroad.

In that context, one of the Chinese government's initiatives in recent years has been the Confucius Institute. Founded in 2004, the institute is effectively an arm of the Chinese government's Ministry of Education. The institute's headquarters was originally known as Hanban, but in 2020 it changed its name to the Center for International Cooperation and Language Education (CLEC; Pinghui, 2020).

Although the Confucius Institute actually encompasses a number of educational and cultural *programs*, its expansion outside of China has taken place in the form of *local branches* concentrating all activities. Both its politically neutral name and its way

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of operating are modeled on Western foreign language schools that have preceded the Confucius Institute, such as the German Goethe-Institut, the Italian Società Dante Alighieri, and the British British Council.

However, the past few years have seen a number of incidents involving the Confucius Institute that have called into question the neutrality with which it operates. For one, concerns about their academic freedom in North America date back to at least the mid-2010s: faculty associations in the U.S. and Canada publicly called in 2014 for an end to collaboration with China (Graham, 2014; Montgomery, 2014). In fact, the U.S. State Department designated the Confucius Institute's U.S. branch as a "foreign mission" of China and, as of 2021, the National Defense Authorization Act provides that public funding may be restricted for universities hosting Confucius institutes. Such actions have presumably contributed to the shutdown of more than one hundred U.S. branches — although there are allegations that many are reopening under a different name (Peterson 2020; Sharma 2022). Similarly, there have been a number of protests in European countries like Germany, and some European universities have reportedly terminated their agreements with China (Universiteit Leiden, 2019; Schneider, 2021). Indeed, citing concerns about human rights violations within China itself, Sweden closed all remaining Confucius institutes in the country in 2020 (Moody, 2020). In Australia, South Korea, and Japan, too, there is evidence of reactions from governments through legislation and investigations into allegations against the Confucius Institute (Chan-Kyong and Ryall, 2021; Visentin, 2021).

At least part of the controversy surrounding the Confucius Institute has to do with its operation: indeed, one of its founding principles is that in many cases it operates directly in elementary

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schools and university-based centers. This is in contrast to other foreign language schools that operate autonomously. China stands out for its willingness to intervene in the education systems of the countries where its institutes are located, naturally drawing a higher level of scrutiny. Indeed, the branches housed in universities also operate as Confucius “classrooms” for primary and secondary education institutions: they “teach courses in Chinese medicine, Chinese history, Chinese drama, martial arts, and flower arranging, in addition to the language courses” (Raggio Souto and Pesce Bassalle, 2019, p. 8). Overall, it is typically university institutions that come under external scrutiny, and relatively little attention is paid to the courses taught in schools, with few exceptions (see Gil, 2018; Currell and Zais, 2021).

There is now some evidence of Chinese government intervention in the operation of Confucius institutes. There are still those who claim that the Confucius Institute presents an “accurate version” of the country to the world and that it specifically refrains from discussing issues that arouse controversy at home (e.g., Hartig, 2015). Indeed, Taiwanese activists have argued since the beginning that any mention of Taiwan’s status, and of human rights violations in Tibet, is “taboo” at Confucius Institutes (Ming-min, 2011). And in fact, Human Rights Watch has explicitly called for their condemnation as “efforts by the Chinese government to undermine academic freedom” (2019). In this context, the question guiding this study is: Are those situations taking place in Latin America? Can we say there is authoritarian “propaganda” coming from the Chinese State?

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Since their foundation in 2004, the Confucius Institutes in Latin America have been managed by the Regional Center of Confucius

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Institutes for Latin America and the Caribbean, but, as mentioned above, it has now become the CLEC of China's Ministry of Education. The change represents a move that suggests that China's cultural expansion strategy is indeed global and not just limited to the institutes.

In fact, the CLEC encompasses a wide spectrum of activities linking Chinese language teaching with specific topics including "telecommunications", "electromobility", "multimedia design" and humanistic approaches, among others (Biblioteca Nacional de Chile, 2023). However, the Confucius Institutes remain the primary vehicle for spreading Chinese language and culture across the region. Chilean Roberto Lafontaine, president of CLEC, commented that "Chinese culture and language have now provided a bridge for different peoples to get to know each other" (Biblioteca Nacional de Chile, 2023); and that is precisely the message that China is spreading through him and other local individuals. Mr. Lafontaine has also stated that, over the course of an entire year, activities organized by the Institutes have attracted as many as one million people to mass events centered around Chinese culture (Xinhua, 2022).

The expansion of the Confucius institutes in Latin America does not fall short numerically compared to other regions around the world. Although the number is constantly changing, as of June 2023 there were 42 branches of the institute, covering practically every country in the region, as shown in the map provided by the Andrés Bello Foundation's China-Latin America Research Center (2023). This figure accounts for roughly 8% of the total number of branches around the world, estimated at over 500 in 2022 (MacDonald, 2022).

A report by the Andrés Bello Foundation notes that, just like in the rest of the world, the Confucius Institute does not operate

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as an autonomous entity in the region, but rather as part of the universities with which agreements are signed, and they are headed by both a local and a Chinese director; moreover, under their typical agreements, China covers the costs associated with the teachers and supplies the teaching materials (Lu and Hua, 2022; Moreno, 2022). Notably, in all cases, teachers of the Chinese language come exclusively from China (Blanco Rubiano, 2019, p. 222; Moreno, 2022). The language they teach is simplified Chinese, instead of traditional Chinese, which means that, in practice, many characters that are used in Taiwan, Hong Kong, Macau, and the rest of the world must be excluded (Churchman, 2011). According to Jowett and O'Donnell, that constitutes a particularly effective use of language as a technique to maximize the effect of propaganda, as it would seem to broaden the possibilities for understanding the language when it is actually restricting them (2015, p. 327-328).

An overview of the geographical distribution of Confucius institutes in Latin America reveals that Brazil is the country with the most branches — ten in total. Among them, the Confucius Institute of Sao Paulo State University is notable for having been voted “Confucius Institute of the Year” three times (Moya García-Renedo and Puig de la Bellacasa-Aznar, 2023, p. 20). After Brazil comes Mexico, with five branches (including the oldest in the region, founded in 2006), Peru (four), Argentina and Colombia (three each), and Chile (two). And the remaining countries have only one branch at most.

In addition to the university institutes, there are also 15 Confucius Classrooms in Latin America spread over six countries: Chile (six), Colombia (four), Ecuador (two), Argentina (one), Grenada (one), and Haiti (one). According to the Andrés Bello Foundation (2023), the opening of new institutes and classrooms

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“is usually promoted by former public officials, former ambassadors, and former diplomats from the region who, upon their return from China, seek to set up a Confucius Institute in cooperation with a local university.”

In that context, one Latin American country stands out for playing a key role within the Confucius Institutes ecosystem: Chile. Not only does the country currently account for 40% of the total number of Confucius classrooms in Latin America, but it is also the home of CLAC — the headquarters of the Confucius Institutes — not to mention that China has traditionally had a friendly relationship with the country. Chile was the first country in South America to engage in diplomatic relations with China, to support China’s entry into the World Trade Organization, and then to sign a free trade agreement with China. The importance of China for Chile is such that in 2022 China accounted for 39.4% of Chile’s exports and 25.3% of its imports, making the proportion of China’s bilateral relationship with Chile the highest among democratic countries in Latin America (Central Intelligence Agency, 2023; Cofré, 2023).

Argentina is also a relevant case in point because it is home to one of the few Confucius Institute directors who has made public statements about the controversies surrounding the institute. Norberto Consani, local director of the country’s oldest branch at Universidad Nacional de La Plata, has claimed that no programs or topics are off-limits at his institution and that “we have had very critical opinions regarding human rights in China”, but he has also expressed that the professors coming from China are “very cautious... there are no political economy classes, zero, only language-teaching” (Moreno, 2022). Since Chinese classes at Confucius institutes are not taught by locals, scholars like Consani do not need to limit their opinions in other

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contexts; they only need to be reputable enough to help China send teachers who do know what topics should and should not be discussed. Thus emerges a subtle but distinct operation aimed at legitimizing foreign propaganda locally.

Other studies on specific Confucius Institute branches have revealed similar scenarios across the various Latin American countries. A study of the branch at Universidad de la República in Uruguay concluded that “it is clear that [the Confucius institutes] pursue objectives that are in line with their foreign policy” and that “Chinese culture and language are being spread from a communist perspective and leadership” (Raggio Souto and Pesce Bassalle, 2019, p. 15). The center in Uruguay took approximately ten years to become a reality from the early discussions to the opening of the branch office (*op. cit.*, p. 9). Here, as in other cases, the Confucius Institute’s outreach activities go beyond Mandarin courses and include a variety of cultural events (*op. cit.*, p.10).

Another study on the Confucius Institute was conducted at Universidad de Bogotá Jorge Tadeo Lozano, in Colombia. Blanco Rubiano’s account of the way the branch operates is consistent with that of others in key aspects: the dual control of the branch by appointing a Chinese director, the Chinese teaching staff policy, and the wide array of activities beyond the Mandarin courses. At the end of the study, Blanco Rubiano argues that each branch can “be more clearly regarded as part of a global strategy by the Chinese government to increase its influence in regions where it has a political or commercial interest” This, he argues, explains the seemingly disproportionate importance given to countries like his, along with Chile and Peru, as they are the countries most exposed to international trade with China.

Finally, the case of Mexico is also examined in a doctoral thesis that looked at its five local branches and confirmed that

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they follow the same guidelines as in other countries: centralized control, local co-management along with a Chinese director, Chinese-born teachers, and a wide variety of cultural activities (Gong, 2021). A careful review of this report, however, reveals its alignment with the Chinese government: throughout the document, there is not a single mention of the Communist Party's dictatorship or of the many claims of ideological manipulation by the institute around the world; instead, it emphasizes that each branch "takes Confucian thought as its guiding principle... [which] is based on pluralism and diversity of thought and culture, and represents the essence and tradition of Chinese culture, respecting freedom, individuality, and mutual exchange" (*op. cit.*, p. 195-6). None of the other cases surveyed mentioned such features as intrinsic to the Confucius Institute model in Latin America.

When it comes to its foreign cultural policy, the Confucius Institute does not fall short of the typical practices employed in Chinese diplomacy. As we have seen in the cases of Lafontaine or Consani, China spreads its message in several Latin American countries through emissaries or local agents, and sometimes through trips to China or newspaper articles that are "camouflaged" to pass off as authentic news; local intellectuals, politicians and journalists thus constitute a network used by the Chinese government to spread its propaganda message (Casarini *et al.*, 2022; Falcone, 2023). Similarly, the *rebranding* of Hanban and the Regional Center of Confucius Institutes for Latin America — now the Center for International Cooperation and Language Teaching — follows the same pattern of "masking" such activities undertaken by the Chinese government; and even more so when we consider that in fact the CLEC publicly presents itself as a "foundation", presumably with the aim of not being seen as a

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government entity at first glance (see, for example, its website <https://fundacionclec.org/>; and Biblioteca Nacional de Chile, 2023). Concealing one's identity is a hallmark of propagandists (Jowett and O'Donnell, 2015: p. 316-317).

Why do Latin American universities so readily allow the establishment of Confucius Institute branches? The key is most certainly a combination of growing interest in China and budgetary needs. For one thing, the establishment of the institute not only facilitates the teaching of Mandarin but also makes it easier for local students living in financially disadvantaged situations to participate in exchange programs and activities in China, including the "Chinese Bridge" program (Blanco Rubiano, 2019, p. 225; Moreno, 2022). As those programs are under complete control by the Chinese government, we see here a deliberate intention on their part to spread the image they want to show of their country, and they do so quite successfully: in Ecuador, for example, the number of Mandarin students has increased almost eightfold since the opening of a branch at Universidad San Francisco de Quito (*ibidem*). And while it is difficult to establish a causal relationship between the creation of new branches and the increase in interest in China, the simultaneous occurrence of both factors in any case points to a success story for the Asian country: it may not be fulfilling a genuine demand, but it is certainly creating one quite successfully.

Also, setting up Confucius Institute branches in Latin American countries brings economic advantages for the universities and the selected students. Indeed, opening new branches is good business for institutions seeking to expand their academic offerings at no cost. An official document produced by the Regional Confucius Institute Center for Latin America, which preceded today's CLEC, listed among its "special programs" "teacher

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deployment, volunteer deployment, teacher training, volunteer training, research fellowships, summer or winter camps, Chinese Bridge, and Chinese language learning scholarships in the PRC” (Lafontaine and Xintang, 2015). The explanation around direct benefits is likely also valid for school districts or schools receiving Confucius Institute funding to run Confucius classrooms, as Gil (2019) and Currell and Zais (2021) noted. Institutions and individuals eager for opportunities but short on resources: to use Jowett and O’Donnell’s words, China has found an ideal “target audience” (2015, p. 319-321).

But opening a Confucius Institute will always be done as part of a collaboration agreement between China and a local university, and that brings indirect benefits as well. In Argentina, for example, agreements following the establishment of various Confucius Institute branches have included not only trips for students or faculty but also announcements of the creation of graduate programs at local universities and a scientific cooperation agency with a focus on artificial intelligence (Infobae, 2019; Universidad Nacional de La Plata, 2019). Moreover, even the branches of the Institute serve as a “reward” for previous initiatives; the branch created at Universidad Nacional de La Plata in 2009, for example, originated as an initiative promoted by the university’s Center for Chinese Studies, which had been collaborating with the Argentine government since the 1990s (Universidad Nacional de La Plata, 2020). The *modus operandi* of providing fresh money to countries in need is repeated in other types of investments supported by China in underdeveloped economies, including Latin America (Falcone, 2023). But it is also often the case that announcements are made that do not come to fruition (*ibid*). Actually, as of June 2023, the above-mentioned announcements in Argentina do not seem to have been carried out.

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Is the opening of Confucius Institute branches in Latin America useful to China? Certainly, and for various reasons. But the most relevant for this study are the political reasons. Through the Confucius Institute initiative, China is succeeding in bringing its *Weltanschauung* to an ever-increasing number of people. It is a world view where, for example, people talk about martial arts and Chinese medicine or celebrate the Chinese New Year — an event in which the various existing Confucius Institute branches take part in their respective countries — but, as we have seen in the preceding paragraphs, it is also one where only the characters of mainland China are taught, where there is only one China (without Taiwan), where the Tiananmen massacre never took place, and where the only known ethnic group in the country is the Han, just to name a few of the propagandistic advantages the Chinese Communist Party obtains from its model. There is indeed a systematic and deliberate attempt — notably because of the absence of certain elements — to change the perception Latin Americans have of China, promoting among them an image that suits the Chinese government’s interests. The activities undertaken by the Confucius Institute thus conform to Jowett and O’Donnell’s original definition of propaganda. And, it should be noted, its propaganda is implicitly authoritarian.

CONCLUSIONS

In 2014, Xi Jinping made a call to “increase China’s soft power, give a good Chinese narrative, and better communicate China’s messages to the world” (cited in Albert, 2018). The expansion of the Confucius Institute around the world, including Latin America, has undoubtedly served those goals. As the evidence suggests, the Confucius Institute has considerable potential in

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Latin America: the Chinese government's propaganda campaign has been successful.

The lack of skepticism in the region about the institute's branches stands in stark contrast to the negative image it has evoked in recent years in Europe and North America, and that has allowed it not only to grow but also to stand firm in the face of criticism that is simply non-existent. This is particularly concerning because the way it operates in the region is no different from the way it operates in other parts of the world, so it has the same underlying issues. As such, the direct interference of the Confucius institutes in Latin American educational systems (many of which are publicly funded) has the result that Latin American states themselves end up paying for "the cultural diplomacy of a foreign nation," as Oviedo (2018) noted with concern.

In the words of Currell and Zais, "The problem isn't what is being said in Confucius lessons; the problem is what is not being said" (2021). "Religion, medicine, environmental care, geography, music, dance, painting, sports, business, customs": only one typical subject area is quite glaringly absent, and that is politics (Blanco Rubicano 2019, p. 227). If addressed, it would clearly show the way the Chinese government concentrates political power, disdains consensus-building, belittles representative institutions, strives to disempower the opposition, and overrides the mechanisms whereby power is transferred from the base to the apex. In view of such absence, however, we can only affirm that this propaganda operation is implicitly authoritarian: the erosion of democracy is never explicit; it is always surreptitious, especially in the subject matters that the Confucius Institute systematically chooses not to address.

In line with that, a recent study that has not yet been published is in agreement with the findings of this article. The authors

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conducted an experiment showing that teachers in Confucius Institutes exhibit a high degree of adherence to the political views of the Chinese Communist Party, disseminating its ideas and censoring discussions that are equally censored in China (Fan, Pan, & Zhang, 2023).

The study also cites an extraordinary statement by Norberto Consani that illustrates the problem: the teachers sent by China are trained to never question the Chinese Communist Party's standpoint in a classroom, even if they can personally do so outside the classroom. As such, it cannot be said that the Confucius Institute operates in the same way as the Goethe-Institut, the Dante Alighieri Institute, or other institutions from democratic countries where political-cultural debate is common currency: the Confucius Institute clearly diverges from its Western "peers" by systematically concealing features about China which, if widely acknowledged, would make the general public question the regime that is ruling the country.

All in all, self-censorship seems to be one of the hallmarks of the Confucius Institute's activities in Latin America. And that is particularly problematic because, by definition, there can be no evidence of that which does not occur. But it seems reasonable to assume that Chinese teachers coming to the region are not critical of the regime because they are already trained to not be so, and that authorities in Latin American universities will hardly have any incentive to publicly criticize the Chinese Communist Party when they are receiving funds from it.

In this sense, further research could look into the quantity and quality of university public statements or events that have been or are critical of China before and after the opening of the various Confucius Institute branches; Along those lines, further research could look into the quantity and quality of public

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university statements or events that have been or are critical of China before and after the opening of the various Confucius Institute branches. However, they will inevitably run up against the difficulties of measuring and evaluating such phenomena, and also against the fact that Chinese cooperation goes upstream of this particular policy.

In conclusion, following Jowett and O'Donnell's criteria, the activities conducted by the Confucius Institute indeed amount to a propaganda operation. There are direct agents, a message is being conveyed in the form of absences, and there are unofficial networks for dissemination: there is, in short, a deliberate attempt to distract the attention given to China as an authoritarian regime and divert it to "neutral" cultural issues, in line with its own interests. Further research could be conducted to identify where exactly the propaganda is originating from: the institution might well be the Confucius Institute itself through the CLEC, but on a broader perspective, it might well be the Ministry of Education or the Chinese Communist Party itself. What is important as far as this study is concerned is that the message discussed here ultimately aligns with the regime's intent: the Confucius Institute serves as an implicitly authoritarian vehicle of propaganda for the Chinese government.

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HONG KONG AND
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ABSTRACT

The growing collaboration between Western democracies and the repressive Chinese regime has brought both substantial short-term material benefits and fuzzy medium- and long-term institutional damages. Now, the medium and long term have arrived. The most significant experience from the equation has been the integration between small and transparent Hong Kong and mainland China from 1997 onwards. The growing fragility of individual rights in Hong Kong constitutes an obvious but often overlooked example for small and medium-sized liberal democracies that, like Uruguay, are overestimating the benefits of integration with China precisely because they underestimate the moral and institutional dangers that may arise in the medium and long term.

Keywords: Hong Kong, China, prosperity, freedom, integration, individual rights, liberal democracy, small and medium-sized democracies, Uruguay.

INTRODUCTION

Latin America is too broad and imprecise a concept. It is impossible to define exactly how China has influenced and is influencing “Latin America,” but we can certainly consider how it has influenced and is influencing — and even hypothesize how it may influence — specific countries and specific regions.

However, our understanding of the problem remains distorted because countries in the region typically analyze and decode

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the potential benefits of closer trade integration with China by looking at indicators from a recent past that no longer exists. Specifically, countries in the region weigh the potential benefits and challenges of trade integration with China by assuming that: 1) its economy grew at an average annual rate of 9% between 1990 and 2019 (IMF, World Economic Outlook, 2020); 2) its political regime has not actively sought to interfere in the internal affairs of distant countries like those in “Latin America,” and 3) its 1,348 million inhabitants constitute a market that has represented, represents and will continue to represent an opportunity — in other words, that it is a country where the demographic factor does not represent a problem.

But those three factors have changed radically in recent years: 1) as shown in Figure 1, China will no longer grow at the “Chinese rates,” heading to an average annual growth rate below 3.5%, an annual medium-term growth rate comparable to that of countries like the U.S.; 2) since Xi Jinping came to power in October 2012, Beijing has been increasingly solidifying an authoritarian project, both inwardly and outwardly (Freedom in the World, 2022); 3) as shown in Figure 2, the country is facing a demographic implosion without precedent in modern history, and that will lead to political, economic, and social instability in the medium term (Ferguson, Bloomberg, 2022).

Should a small and transparent country — like Uruguay — look to be associated with another country based on its past economic and institutional performance indicators or on its potential performance in the future? In an initial assessment, we would like to point out that:

- China will no longer be growing at the so-called “Chinese rates”.

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- The country is facing a demographic implosion that will have political and social repercussions.
- Xi Jinping recently changed the rules of succession in October 2022.
- The highly repressive zero-COVID policy embodies the typical inability of dictatorships to effectively adapt to imponderable factors.

The following graphs are helpful to illustrate that:

Figure 1 shows a systematic decline in the growth rate of the Chinese economy in the medium term. And that trend has come to stay, indicating not only a shift in the Chinese economy to match the growth rates of middle-income countries but also medium to long-term structural problems.

China’s looming demographic implosion has few precedents in history . The Chinese regime is facing an unprecedented series of serious demographic, health, political, and economic challenges. China’s demographic collapse will have both socio-economic and political impacts at home and geopolitical repercussions in the region and the world. Historian Niall Ferguson depicts 3 demographic scenarios in Figure 2, taken from a recent article published in Bloomberg, entitled “China’s Demographics Spell Decline not Domination.” In the worst-case scenario, China could go from the current 1,348 million inhabitants (according to official figures from early 2023) to 490 million in the year 2100. In the best-case scenario, it would drop and plateau at 1.1 billion inhabitants, and in the halfway scenario, the country would drop to 750 million in 2100. One of these scenarios is apocalyptic, but all three pose serious challenges to the country’s stability in the medium and long term.

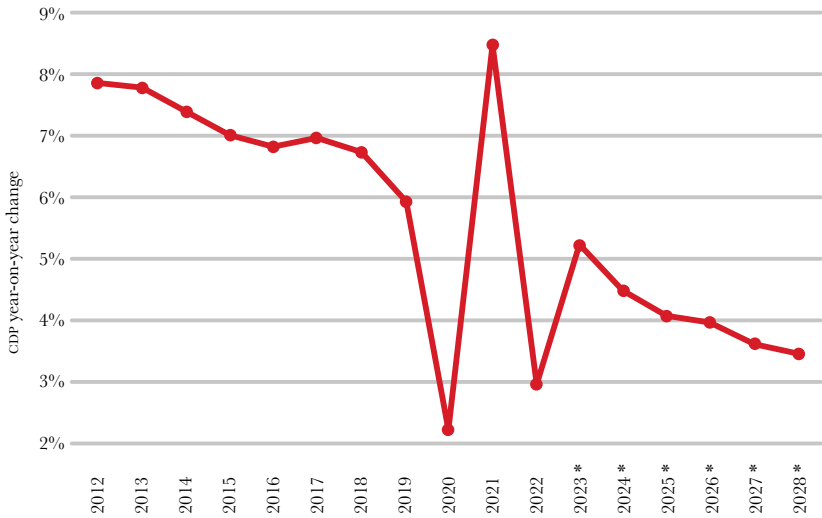
Assessing the future of relations with China based on a positive performance in recent economic and trade indicators is

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Figure 1

China will no longer be growing at “Chinese rates”.

China’s growth rate 2012-2028 (2023-28 projected)



Source: IMF, World Economic Outlook

a major conceptual and political error that suggests poor awareness of an imminent challenge looming in the region. Figure 1 illustrates how the recent past is distorting the perception of countries in the region.

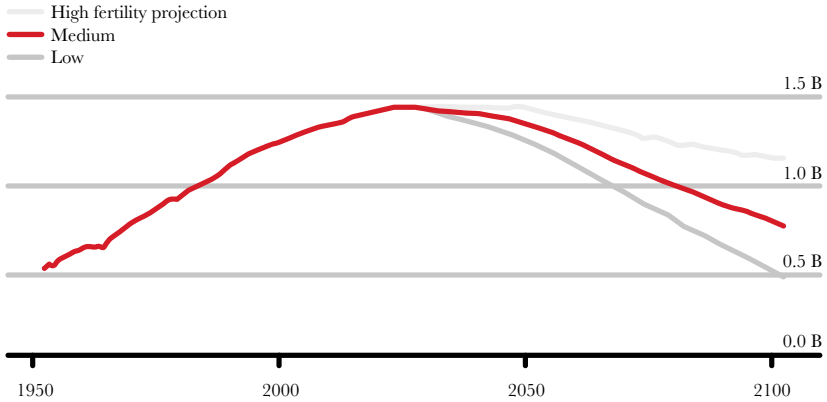
In our view, the concept behind Figure 1 is key to understanding our times, particularly for small and medium-sized liberal democracies.

The political crisis, for its part, has entailed a repressive dimension that is linked to the economic slowdown. As such, the level of internal and regional political repression is increasing to the extent that it is leading to growing economic uncertainty in

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Figure 2

Demographic implosion is a key socioeconomic, political, and geopolitical variable in the medium term.



Note: Data shown in billions of people. 1.5 Billion means fifteen hundred million people.

the short and medium term. All this has created a vicious circle that calls for further in-depth analysis. The political crisis became institutionalized as Xi Jinping remained in power, following the confirmation of a third term in office at the 20th National Congress of the Chinese Communist Party held in October 2022, a game-changer within the Party that triggered tectonic shifts among the various elites and groups within the opaque Chinese regime. Xi made a show of force that has reshaped power in China and brought about a sense of uncertainty that will have profound economic repercussions for the foreseeable future.

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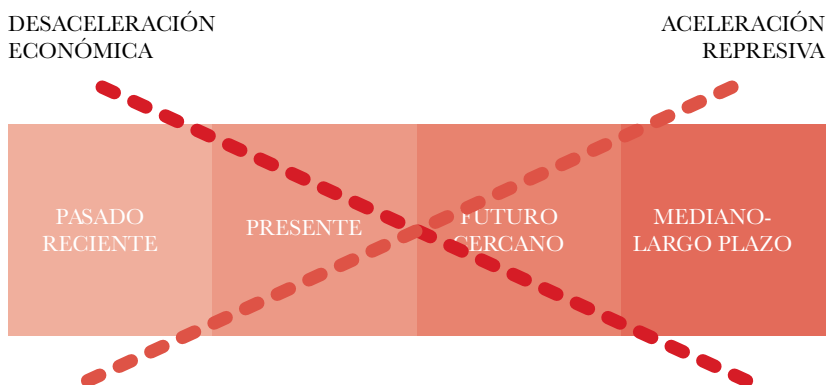
WHY IS THE HONG KONG EXPERIENCE SO RELEVANT TO THE REGION?

It seems relevant to identify and analyze a similar process from the near past to gain some insight into the likely future path of our trade integration with China. Where should we look for that? What countries or territories sharing certain similarities and certain differences with the countries in our region have advanced enough along this path to provide us with a valid comparative perspective? Hong Kong offers an example of an experience that is close in time and provides us with valuable lessons about the consequences that a small-medium open economy can face when successfully engaging in trade with a large opaque economy (Thomson, 2018).

Why is that a relevant comparison? There are four considerable similarities and two relevant differences that justify it.

Figure 1

The rear-view mirror and “China as an opportunity”.



Uruguay and the small-medium regional democracies analyze the past to take a choice that will, obviously, impact the future.

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The similarities can be expressed as follows: 1) we can observe a growing trade integration of countries in the region with China, which 2) has resulted in mutual prosperity, while at the same time 3) creating a growing asymmetry of size between both parties, and with 4) China’s opacity standing in stark contrast with the transparency offered by the other party, particularly when we refer to Uruguay’s experience.

The differences are the following: 1) the geographic proximity between China and Hong Kong compared to the distance between small and medium-sized Latin American countries and China, and 2) how long each case has been undergoing trade integration with China. This study places particular emphasis on those differences, insofar as the two variables can be viewed as possible predictors of a likely future scenario for small and medium-sized countries in the region (like Uruguay) if they were to maintain or, even more so, further pursue the path towards trade integration with China.

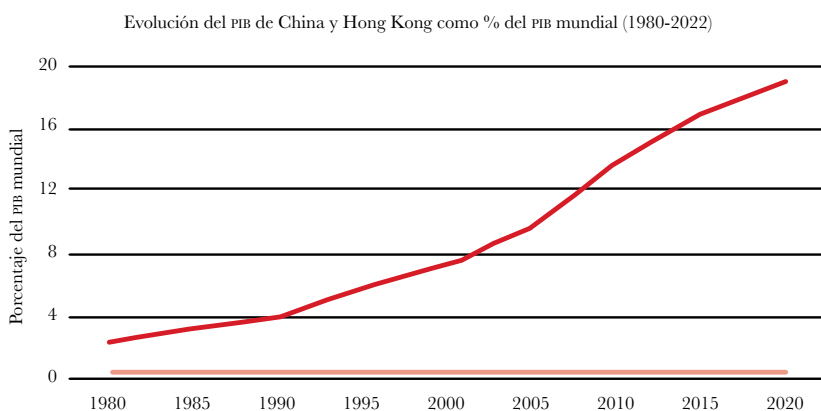
Thus, the variables we will be using for our comparative analysis are six: on the similarities front, 1) level of trade integration, 2) increase in prosperity of the parties, 3) increase in the asymmetry of size between China and the other countries, 4) disparity in levels of transparency, and on the differences front, 5) geographical distance from China, and 6) elapsed time since the beginning of trade integration. Why is it relevant to compare the integration processes of small and medium-sized countries, particularly Uruguay, with the process observed in Hong Kong? Indeed, drawing a comparison to Hong Kong’s recent experience with China may appear counterintuitive. As such, what information can we derive from recent history regarding the integration process between China and Hong Kong? To answer that, it might be useful to look at Figure 3, detailing the evolution

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of China and Hong Kong’s economies as percentages of global GDP.

Figure 3

China and Hong Kong as % of global GDP (1980-2022)



Note: Data obtained from the World Economic Outlook (IMF).

As shown in Figure 3, China accounted for 2.3% of global GDP in 1980, and 18.9% in 2022, while Hong Kong accounted for 0.27% of global GDP in 1980, and 0.36% in 2022. The primary aim of this study is to present a set of comparative indicators that will help to establish that the increasing divergence between the blue line and the orange line is directly inverse to the strength of individual rights in Hong Kong today, an observation that should become a key reference for the rest of the democratic and liberal world.

The observed divergence between the percentage of global GDP of one economy and the other has occurred amid increasing prosperity for all. In other words, while China was becoming

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increasingly powerful, everyone was becoming increasingly wealthy. It stands to reason that such a dynamic may have resulted in an underestimation of an emerging problem. The evolution of per capita income in selected countries is noteworthy.

Table 1

Evolution of per-capita income in China, Hong Kong, and Uruguay (in purchasing power parity)

Year	Hong Kong	China	Uruguay
1990	17.291	954	6.420
1997	25.292	2.211	9.588
2000	26.775	2.846	9.868
2005	36.306	4.937	11.358
2010	46.951	9.012	16.234
2015	56.4432	13.801	21.246
2020	71.194	20.203	26.962
2022	60.052	21.476	28.842

Note: Data obtained from the World Economic Outlook (IMF).

The table shows how the recent history of the global economy is the history of prosperity. We are living in the age of abundance. Partly driven by China’s entry into the world trading system, small and medium-sized economies have flourished as never before in human history over the past 30 years.

It is also important to note that Hong Kong has been, and is, one of the most open economies in the world, meaning an economy whose foreign trade (the sum of exports and imports) as a percentage of GDP is at the top end of the scale. To illustrate, Hong Kong’s total foreign trade in 2019 (a relevant indicator,

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considering it was before the pandemic) amounted to 353% of GDP, and in 2022 the figure rose to 383%. The figure is worth noting because, again, it has little precedent in history. By way of reference, only Luxembourg stood as a more open economy — i.e. its foreign trade was higher, with 383% of GDP in 2019, and 384% of GDP in 2022. Meanwhile, in 2019 Singapore’s foreign trade accounted for 319%, the Netherlands 156%, Germany 88%, and South Korea 77%.

Notably, 36% of Hong Kong’s total foreign trade in 1997 was with China, with the figure rising to 51% in 2016 and then standing at 50% in 2020. Thus, Hong Kong’s economy shows an extremely high level of dependence on China, as the country accounts for 50% of the total 353%, meaning that trade (exports and imports) with mainland China amounts to nearly 175% of Hong Kong’s GDP. Very few countries in the world show such a dependency relationship, and no small or medium-sized open society exhibits such a dependency on a major repressive regime.

How has trade integration between China and Hong Kong evolved? And how has trade integration between China and Uruguay evolved? As mentioned above, trade integration is measured as a percentage of the total foreign trade (the sum of exports and imports) a country x has with a country y.

The process of trade integration between two small-medium open societies like Hong Kong and Uruguay and a large, closed society has been quite impressive. Up until the 1990s, Uruguay’s trade with China still accounted for less than 1% of its total trade. Today (2023) China is Uruguay’s main trading partner.

Finally, how have liberal institutions evolved in Hong Kong amid such a process of growing integration, growing prosperity, and growing asymmetry? To answer that, we can use some

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Table 2

China’s foreign trade with Hong Kong and Uruguay (as % of each country’s GDP)

	Hong Kong		Uruguay	
	Trade with China as % of GDP	Foreign trade as % of GDP	Trade with China as % of GDP	Foreign trade as % of GDP
1997	36	233	1	38
2005	41	343	6	59
2010	45	405	8	52
2016	51	372	22	48
2020	51	351	28	46
2022	50	384	29	57

Note: Data obtained from the World Bank and Uruguay XXI

indicators from Freedom House, from the Press Freedom Index published by Reporters Without Borders (RSF), and from the Cato Institute’s Human Freedom Index.

This table presents relevant information for our discussion: we can see how the institutional indicators were good and very good in 1997 and, most importantly, they remain stable in the short-medium term. Only in the medium to long term do they begin to deteriorate and then collapse further into the present. Freedom House’s annual report provides a relevant insight:

The people of Hong Kong, a special administrative region of China, traditionally enjoyed substantial civil liberties and the rule of law under their local constitution, the Basic Law. However, the implementation of the National Security Law (NSL) in 2020 has amounted to a multifront attack on the “one country, two systems” framework. The territory’s most prominent pro-democracy figures have been arrested under its provisions, and NSL charges or the threat of charges have resulted in the

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closure of political parties, major independent news outlets, peaceful nongovernmental organizations (NGOs), and unions. The NSL also paved the way for Beijing to overhaul Hong Kong’s electoral system in 2021; the new rules permit mainland authorities to vet candidates and contain other provisions that ultimately ensure Beijing near-total control over the selection of Hong Kong authorities. The first chief executive to be selected under the new rules took office in 2022.

Table 3
Hong Kong Institutional Indicators

	Freedom House	Press Freedom Ranking (RSF)	Human Freedom Index
1997	3	ND	ND
2002	3	18	ND
2005	2	39	ND
2008	2	51	1
2010	2	34	1
2016	2	69	3
2020	3	80	30
2022	4	148	ND

Note: Information obtained from Freedom House, RSF, and Cato Institute.

SHIFTING FROM “FREEDOM TO PROSPERITY” TO “PROSPERITY TO UNFREEDOM”

The Atlantic Council’s Freedom and Prosperity Index has revealed a correlation between freedom and prosperity in the near past. However, our main point here is that there is a new emerging correlation between the increase in prosperity achieved by repressive regimes, notably China, and a medium-to-long-term erosion of freedoms in small and medium-sized open societies.

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A prime example of this can be found in Hong Kong. One of our arguments here is that this scenario serves as a relevant precedent for small and medium-sized open societies located far from China (such as Uruguay) that have underestimated the problem by overestimating both the significance of distance and their own institutional strength as a tool to deal with any potential problem. The focus of this study is to demonstrate a further correlation between the prosperity achieved by a major repressive regime (China) and an increasing deterioration of individual rights in a medium or small democracy. In other words, we can identify a continuation of the “From Freedom to Prosperity” sequence, leading to a second chronological and conceptual moment that could be inversely described as “From Prosperity to unfreedom.” The overall sequence would then be “Freedom to Prosperity - Prosperity to Unfreedom.” The Index report published by the Atlantic Council states the following:

In an effort to disentangle this relationship, we examined the strength of the correlations between freedom and prosperity over time. Using the same methodology, we re-created the 2021 Freedom and Prosperity Indexes for 2016, 2011, and 2006. We examined whether measures for freedom in prior years are associated with levels of prosperity in subsequent years. After all, changes in prosperity do not happen overnight. If freedom drives subsequent prosperity, then we should see the correlations between freedom in prior years more strongly associated with levels of prosperity in subsequent years.

This is what we found. Indeed, as one can see in Table 5 and Figure 6, the longer the time lapses between our measures of Freedom and Prosperity, the stronger the association. A country’s level of Prosperity today is better explained by its

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level of Freedom in 2006 than by its current Freedom [En un esfuerzo por desentrañar esta relación, examinamos la fuerza de las correlaciones entre libertad y prosperidad a lo largo del tiempo. Utilizando la misma metodología, recreamos los Índices de Libertad y Prosperidad de 2021 para 2016, 2011 y 2006. Examinamos si las medidas de libertad en años anteriores están asociadas con niveles de prosperidad en años posteriores. Después de todo, los cambios en la prosperidad no ocurren de la noche a la mañana. Si la libertad impulsa la prosperidad posterior, entonces deberíamos ver las correlaciones entre la libertad en años anteriores más fuertemente asociadas con los niveles de prosperidad en los años siguientes.

Consequently, while the Atlantic Council’s Freedom and Prosperity Index establishes a positive correlation between freedom at time T_0 and prosperity at time T_1 , and an even stronger correlation between freedom at time T_0 and prosperity at time T_2 , our study establishes a correlation between the prosperity achieved by China’s repressive regime at time T_0 and an increasing lack of freedom (defined as an increasing deterioration of individual rights) in Hong Kong in the medium term (T_2). As such, Table 5 mentioned in the above quote from the Atlantic Council’s report demonstrates the following correlation:

R_2 is significant in the four periods analyzed, but as the quote mentions, it is even more significant in the medium-long term — i.e., in the correlation between the Freedom Index of 2006 and the Prosperity Index of 2021. As such, our analysis approaches the issue with a reverse perspective: the more China prospers over time, the more it will contribute in the medium term to the deterioration of freedoms of nearby open societies (Hong Kong) or of those that “become closer” to it as a result of trade

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Table 4

Historical Correlations

Prosperity 2021			
Freedom Index Year	R_2	Slope	Simple Correlation
2021	0.656	0.762	0.810
2016	0.662	0.771	0.814
2011	0.673	0.809	0.821
2006	0.677	0.834	0.823

Note: Information obtained from the Freedom and Prosperity Index (2022, p. 17).

integration (like Uruguay). The following is a key question for the present analysis: how does and will the prosperity achieved by a repressive regime like China impact the freedom of small and medium-sized open societies in the medium to long term?

Our analysis reveals a further correlation — chronologically following the one established by the Atlantic Council Index — between an increase in the prosperity of closed societies at time T_0 and a decrease in the freedom of open societies at time T_2 (in the medium term), as shown in Table 5.

Table 5 presents and compares the key indicators underlying our main argument: the growing economic integration between China and Hong Kong results in not only growing prosperity in the short to medium term but also an unprecedented asymmetry. The growing asymmetry will not be perceived as a problem in the short-medium term because everyone involved will be flourishing. An institutional problem will be perceived and

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Table 5

China and Hong Kong: prosperity and integration in the short- and medium-term, institutional deterioration in the medium- to long-term (1997-2022)

	Hong kong				
	China as % of global GDP	Trade with China as % of GDP	Foreign trade as % of GDP	Press Freedom Ranking (RSF)	Per capita income (me- asured PPP)
1997	6,51	36	233	18	25.292
2002	8,25	39	256	18	28.365
2005	9,68	41	343	39	36.306
2010	13,71	45	405	34	46.951
2016	17,28	51	372	69	58.714
2020	18,89	51	351	80	71.194
2022	18,9	50	384	148	60.052

Note: The RSF Ranking begins in 2002, so we used the closest indicator as a reference for 1997.

confirmed over the medium to long term. In this case, we will see that in the evolution of the RSF Press Freedom Index. As the problem is only confirmed (i.e., understood and addressed) over the medium term, it often becomes a threat that will be very difficult to counter. For our main analysis, we will use the Press Freedom Index published by Reporters Without Borders as a reference — and for other tables and graphs, we will use the Freedom House Civil Rights Index and the Cato Institute’s Human Freedom Index.

We can also look at the problem from a complementary perspective. In Table 6, we take 1997 as the 100-reference year and

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Table 6

Evolution of China’s share of global GDP and Hong Kong’s trade with China, per capita income, and institutional indicators from Freedom House and the Cato Institute’s Human Freedom Index, 100-reference = 1997 (1997-2022).

	Evolution of Chi- na’s share of global GDP and Hong Kong’s trade with China.	Evolution of GDP per capita in Hong Kong	Evolution of Civil Rights Index (Freedom House)	Evolution of civil rights in Hong Kong (Cato Institute)
1997	100	100	100	100
2005	263	144	125	100
2010	470	186	125	100
2016	650	233	125	98,12
2020	671	282	100	98,12
2022	720	238	75	81,25

Note: Prepared by the authors based on data from the Monetary Fund, Trade Map, Freedom House, and The Cato Institute.

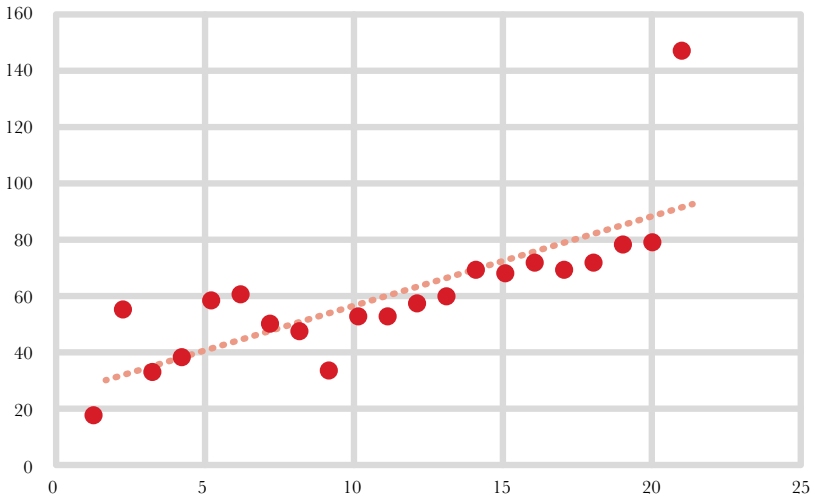
then weigh how Hong Kong is impacted over time by the increasing relative importance of China as a percentage of global GDP, the increasing relative importance of China in Hong Kong’s foreign trade, Hong Kong’s GDP per capita, and the institutional indicators published by Freedom House and the Cato Institute.

Again, we can see that in the short-medium term, there is a positive impact on per capita income and a neutral impact on institutional quality. And then we can see how there is a deterioration of institutions only in the medium-long term. A simpler but more illustrative correlation can also be found in Figure 4.

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Figure 4

Ratio between press freedom index in Hong Kong and China’s evolution as % of global GDP (2002-2022)



Note: Prepared by the authors based on data from the Monetary Fund and the “Reporters Without Borders” Press Freedom Index.

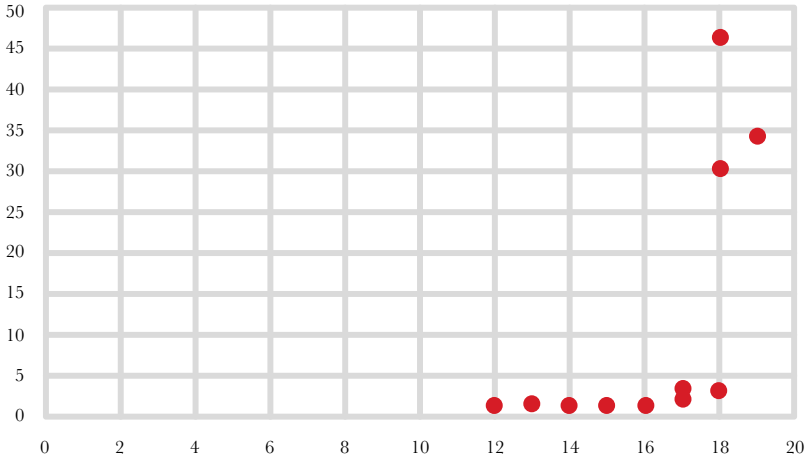
In Figure 4 we see a positive correlation between the evolution of China’s share of global GDP and the deterioration of press freedom in Hong Kong in the medium to long term. The R_2 is representative (0.5968).

Figure 5 shows the correlation between China’s growing share of global GDP and the notable deterioration of human freedoms in the medium term (using data from the “Human Freedom Index” prepared by the Cato Institute). As in the other indicators studied, the threat of China’s growing size is not verified in the short term but over the medium term. This is a recurring issue

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Figure 5

Evolution of China in global GDP and evolution of Hong Kong in the Human Freedom Index (2008-2020).



Note: Prepared by the authors based on data from the Monetary Fund and the Cato Institute's Human Freedom Index.

that, as mentioned, is key for small and medium-sized transparent democracies that have a deep vocation to develop business with China.

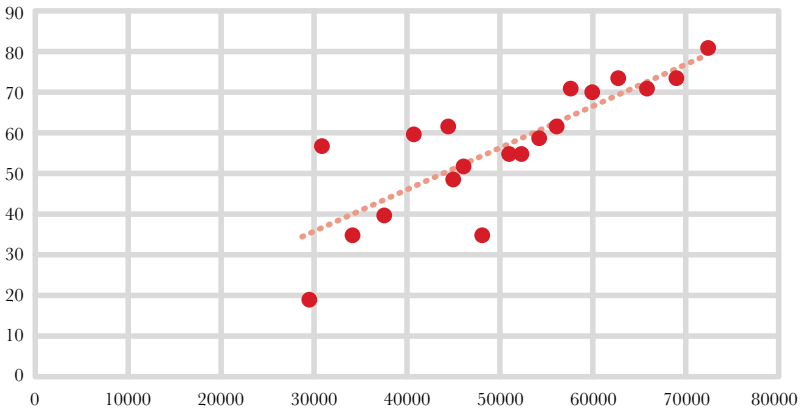
The R_2 is 0.4566. This reflects a low initial correlation and a high correlation in the medium and long term, i.e. from 2014 onwards and especially from the entry into force of the “National Security Law” in 2019.

Figure 6 reflects Hong Kong's growing prosperity in the short-medium term (measured by the evolution of its per capita income since 2002) and its correlation with the growing deterioration of its freedoms in the medium term (measured by the

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Figure 6

Correlation between GDP per capita and ranking in the Hong Kong Press Freedom Index (2002-2020)



Note: Prepared by the author using data from the Monetary Fund and the “Reporters Without Borders” Press Freedom Index.

evolution of the Press Freedom Index carried out since 2002 by the organization Reporters Without Borders).

Our question is how the prosperity achieved by a major repressive regime leads first (in the short-medium term) to positive economic growth for open societies and then (in the medium-long term) to an increasing deterioration of individual rights. That is our guiding question and that is our primary focus.

The key point can be expressed as follows: Actor A (originally Hong Kong, now Uruguay) overestimates the protective power of the long distance and of its own institutional strength in the short term because it underestimates the long-term impact of stepping up integration with country B (China). The Atlantic Council Index thus provides a relevant reference point: while the

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index shows how freedom has increasingly resulted in prosperity in the medium term, our analysis draws on the Hong Kong experience to argue that the prosperity of a repressive regime like China’s will also increasingly lead, in the medium term, to a deterioration of freedom in a nearby open society like Hong Kong. Hong Kong’s recent experience is just one example of what will happen to freedoms around the world if open societies do not pay careful attention to the “Freedom-Prosperity - Prosperity (of an empowered repressive regime)- Unfreedom” sequence. As such, we can argue that there is a “liberal case against free trade with repressive regimes” —a claim that will need further elaboration in future studies.

Simply expressed, our main contention is the following: The current deterioration of freedoms in Hong Kong is closely linked to the growing strength of Beijing’s repressive regime. Similarly, the current strength of the Beijing regime is intrinsically linked to the prosperity achieved by China. The prosperity achieved by the Beijing regime is linked to the increase in trade and investment that China has enjoyed from partnering with the prosperous liberal democracies of the West since the triumph of capitalism after the fall of the Wall. We can thus establish the following claim: Open societies should not trade or should rethink their relationship with dictatorships because they might be contributing to a prosperity that, in the medium term, will threaten the freedom of small and medium-sized democratic countries. This is an unprecedented pattern and, while our point is simple, it has not been sufficiently studied.

There is no precedent in history of a closed society (a repressive regime) that first flourished as a result of its integration with thriving open societies and then used that prosperity to threaten the freedoms of those open societies. Such a pattern has no pre-

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cedent in history because we have seen a series of unprecedented developments: 1) an unprecedented triumph of liberal capitalist democracy, 2) an unprecedented trade globalization process following the fall of the wall (as illustrated in our example in Figure 6), 3) an unprecedented trade integration process between the West and China over that period, 4) a resulting Chinese economic miracle (which took the country from 2.3% of the global economy in 1990 to 18.9% today); and 5) a remarkable strengthening of an efficient and illiberal capitalist economy that is thus now pursuing a repressive policy against certain regions of China (Hong Kong, Xinjiang, Tibet), against nearby democracies (Taiwan), against relatively close democracies (e.g. Australia), and against distant democracies (e.g. Lithuania and Canada).

This is an unprecedented pattern in human history. Trying to stop this process would mean assuming that free trade and trade integration with China may have positive material results in the short-medium term but will result in the medium-long term in a major threat to a way of life where respect for individual rights is placed above collective rights — or above an ill-defined quest for greater collective prosperity.

The graphs and tables are intended to illustrate the growing asymmetry of power emerging amidst a process aimed at mutual prosperity between a large, opaque country and a small, transparent one. Since 1997 until today (2023), Hong Kong has seen an increasing economic-trade integration, increasing mutual prosperity, increasing asymmetry, and increasing deterioration of individual rights. Is this development relevant to our region? In particular, is it relevant for strong small to medium-sized democracies seeking to further develop economic and trade relations with a repressive regime that in 1980 accounted for 2.3% of the world GDP and today accounts for 18.9%?

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It is indeed relevant information, even though it is a recent historical development that continues to unfold. Hong Kong’s trade integration process with China was formally initiated on July 1, 1997, under a treaty that followed the well-known “one country, two systems” formula intended to run for 50 years (until 2047), but China has openly violated that integration treaty. It was basically the first treaty of such proportions to be signed by China since its opening to the West and since the West opened up to China. With the China-Hong Kong integration process now (2023) having 26 years of history, we can now leverage the “chronological advantage” to conduct a much-needed comparative analysis.

The deteriorating state of individual rights in Hong Kong constitutes an indispensable historical reference for any rigorous discussion of the benefits and detriments of trade integration with China. As we mentioned, this becomes particularly relevant for a small and transparent country like Uruguay, as it has seen an accelerated and much-celebrated trade integration process with Beijing that it intends to broaden with a Free Trade Agreement promoted by the main political forces and supported by a clear majority of the Uruguayan civil society.

The political and institutional process that Hong Kong has undergone from July 1, 1997, to the present is self-explanatory. Hong Kong offers us evidence of a complex development pattern where growing economic integration has led, in a first stage, to mutual material benefits and in a second stage has created an asymmetry of size and power that is currently giving rise to a third ongoing stage marked by growing deterioration of civil liberties and individual rights. Hong Kong is more prosperous today (2023) than it was in 1997. China is certainly much more prosperous today than it was in 1997, but the civil and political

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rights of Hong Kong citizens are much feebler than they were in 1997. And while correlation certainly does not establish causation, it is still relevant information that we should consider from a comparative perspective to find dissemination mechanisms to disseminate information among citizens living in small and medium-sized democratic countries in the region.

As such, the Atlantic Council has devised a rigorous index that establishes a strong correlation between “Freedom and Prosperity.” We can now reasonably contend that a reverse pattern has recently taken hold: a dangerous and growing correlation between the prosperity of repressive regimes (China) and a reduction of individual freedom in open societies (e.g. Hong Kong). We have named this new and unprecedented pattern “From Prosperity to Unfreedom.” It is particularly relevant to note here, first, that closed regimes (China) have become prosperous thanks to their trade integration with liberal democracies and, second, that the prosperity achieved by China has been a major driver of the progressive deterioration of individual rights in open societies (particularly in small and medium-sized ones).

After the fall of the wall, open societies have traded and strengthened ties with dictatorships in general and with the Chinese regime in particular. Thus, the prosperous liberal democracies first became primarily responsible for the prosperity achieved by the dictatorships but are now also, indirectly, primarily responsible for the growing threat to freedoms posed by the unprecedented prosperity of repressive regimes.

Tables 5 and 6 and Figures 4, 5, and 6 summarize the extraordinary prosperity created by the expansion of liberal democracy and capitalism in the decades following the fall of the wall (i.e., the findings from the “Freedom and Prosperity” index), but, on the other hand, we are also seeing now the recent unprecedented

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relationship between “Prosperity and Unfreedom.” There is no precedent in human history for such a close relationship between “Prosperity and Unfreedom.” It is a new development that poses a new kind of conceptual and moral challenge.

The disparity between China’s economy and Hong Kong’s economy provides a telling indicator of the close relationship between the recent success of capitalism and the threat to freedoms facing small and medium-sized open societies. In the case of Hong Kong in particular, such a causal relationship is not merely a potential threat but a reality that has been verifiable over the past nine years. Hong Kong remains prosperous — its per capita income grew 347% from 1997 to 2022 — but has lost most of its freedoms.

Accordingly, we have offered the following hypothesis: while, as described by the Atlantic Council index, the post-1990 global economy has indeed shown a strong correlation from “Freedom to Prosperity,” a significant part of that prosperity has empowered the repressive Chinese regime, creating a new pattern that goes from “Prosperity to Unfreedom.” This is an unprecedented pattern in history because 1) the world has never been as free as in the last 30 years and 2) the world has never been as prosperous as in the last 30 years. In that context, 3) the free world — where liberal democracy and capitalism coexist — has been the main financial and trade engine of the unprecedented growth and prosperity achieved in the repressive regimes (especially China).

TOWARDS A “LEADING INDICATOR”?

Hong Kong’s relationship with China after 1997 illustrates the threat to open societies posed by Beijing’s regime. Hong Kong’s experience provides specific indicators that help the rest of the

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liberal democracies, particularly small and medium-sized ones like Uruguay, to glimpse a likely future path. Why? There are two main reasons: 1) the economic and institutional integration between China and Hong Kong was, for obvious reasons, both far-reaching and asymmetric, and 2) their relationship stretches further back in history than China’s relations with the rest of the world, providing us with valuable insight into potential downstream events that we have so far underestimated — the handover took place formally in July 1997, although negotiations started back in 1982.

Next, those insights need to be systematized so they can be used to make a comparative analysis of the region. More particularly, the Hong Kong experience can be thought of as a “Leading Indicator” for small and transparent liberal democracies. In other words, we may draw on an integration that has taken place in the recent past to point to potential consequences for the future of another ongoing integration. We are thinking mainly — but not limited to — the current broad consensus (in late 2023) among Uruguay’s political leadership and civil society to pursue a free trade agreement with mainland China. Uruguay’s political leadership and civil society clearly appreciate the past and potential short-term material benefits of a free trade agreement, but they are failing to gauge the medium and long-term institutional and moral costs that can already be seen today. They fail to realize that the medium and long-term moral and institutional costs will have material consequences that will impact future per capita income.

Why underestimate a valid comparative resource that can offer perspective from a recent historical journey? Why do we not realize the extent of the threat? For Uruguay, the reason is that both political leaders and civil society overestimate the

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institutional strength vis-à-vis Chinese opacity and underestimate (or fail to understand) the drastic institutional transformation Beijing has undergone in a short period of time. To make matters worse, this is happening as the asymmetry between the size of the Chinese economy and the size of the region’s medium and small economies is widening considerably.

The Hong Kong experience from 1997 onwards can be thought of as a “Leading Indicator” for small and medium-sized countries in the region. A leading indicator is composed of one or more stylized indicators that provide advance information on the behavior of another variable. For example, it is used in economics to predict the short-medium-term evolution of the future growth rate. So, for example, we could use the performance of the construction index at time T_0 to predict the performance of another indicator (usually GDP) at time T_1 .

As such, the “Leading Indicator” from the Centro de Estudios CERES (Uruguay)

...is a leading indicator of the level of activity. To calculate the ILC (i.e., the CERES Leading Index), we use a set of variables that consider both the domestic landscape and the international outlook, which are then computed by CERES, as they tend to show fluctuations before the Gross Domestic Product (GDP) does. The ILC can provide a measure of the current economic trend in real time, with a monthly forecast published at the end of each month. It thus comes several months before the publication of official statistics. (Ceres, 2023).

Micro- and macro-economic indicators are developed with a level of rigor and systematization that political and geopolitical indicators and variables typically lack — at least for now. However, we can draw on past experiences to predict how certain events may unfold. Hong Kong’s experience with China is

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relevant for the rest of the small and medium-sized democracies because, as mentioned above, 1) it already has a sufficiently long historical track record, 2) that track record enables us to examine the correlation between economic growth and institutional weakness, and 3) the geographical proximity factor offers an insight about what can happen when a small economy that is commercially integrated with China gets physically “closer” to that country. Today’s geopolitical reality calls for a redefinition of the concept of distance. Kaplan introduces the issue with particular clarity:

We do not have a world government; nor do we have any truly effective world governance. But owing to the shrinkage of geography caused by technology, there is an emerging world system, in which crises can migrate from one part of the Earth to another. Greater interconnections mean that any place or continent can be considered strategic and affect all the others. It is a global Weimar, where there is always a crisis. The 20th-century computer scientist and polymath John von Neumann once said that the finite size of the Earth would become a source of instability. As populations rise in absolute numbers, as more and more human beings live in complex urban settings, and both weaponry and communications – especially cyber – develop and become more sophisticated, the Earth will eventually become just too small for its volatile politics. That is why, like Weimar, our world today seems so anxious, claustrophobic and unstable. The idealists among us say that geography is not determinative, and that fate is ultimately in the hands of human agency. But human agency need not have positive outcomes. Individuals such as Vladimir Putin and Xi Jinping are human agents who have caused a vast and bloody war in Ukraine and are driving Asia toward a high-end

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military conflict over Taiwan. In fact, as world geography shrinks, the price for human error and human malevolence grows. The margin for error narrows, so thinking without illusions becomes necessary. [No tenemos un gobierno mundial; ni tenemos una gobernanza mundial verdaderamente eficaz. Pero debido a la contracción de la geografía causada por la tecnología, está surgiendo un sistema mundial en el que las crisis pueden migrar de una parte de la tierra a otra. Mayores interconexiones hacen que cualquier lugar o continente pueda considerarse estratégico y afecte a todos los demás. Es un Weimar global, donde siempre hay una crisis. El científico informático y erudito del siglo xx John von Neumann dijo una vez que el tamaño finito de la tierra se convertiría en una fuente de inestabilidad. A medida que las poblaciones aumenten en números absolutos, que cada vez más seres humanos vivan en entornos urbanos complejos y que tanto el armamento como las comunicaciones (especialmente las cibernéticas) se desarrollen y se vuelvan más sofisticadas, la tierra eventualmente se volverá demasiado pequeña para su volátil política. Por eso, al igual que durante la república de Weimar, nuestro mundo hoy parece tan ansioso, claustrofóbico e inestable. Los idealistas entre nosotros dicen que la geografía no es determinante y que el destino está, en última instancia, en manos de la acción humana. Pero la acción humana no tiene por qué tener resultados positivos. Individuos como Vladimir Putin y Xi Jinping son agentes humanos que han provocado una vasta y sangrienta guerra en Ucrania y están llevando a Asia hacia un conflicto militar de alto nivel por Taiwán. De hecho, a medida que la geografía mundial se reduce, el precio del error humano y la malevolencia humana aumenta. El margen de error se estrecha, por lo que se hace necesario pensar sin ilusiones]

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(The New Statetsman, abril de 2023).

This last point should be explored further: the indifference shown by liberal democracies in relation to the developments in Hong Kong is partly due to the fact that we perceive, consciously or unconsciously, that there is something particularly inexorable about Hong Kong’s destiny due to its proximity to China. Thus, those of us who live in countries far enough away (e.g., Uruguay, Ecuador, or Chile) simply assume that nothing like that will ever happen to us. However, we must rethink the issue and ask ourselves what we would do should new technological and institutional factors emerge that would tend to shorten the geographical distances between countries. Thus, we can consider for a moment the argument that growing integration is shrinking the distances between countries and people.

Distances have not only been shortened but will be further shortened by the virtuous circle linking technology and trade integration. That is why the developments in the once-open society of Hong Kong are becoming particularly relevant for small and transparent countries like Uruguay. They offer a leading indicator that can provide us with insights about a (very) possible future scenario. All of this begs the question: Why would Hong Kong be a “leading indicator” for small and medium-sized countries in the region? How can we rethink distance? We can consider the implications of the “leading indicator” around two main points: first, a “leading indicator” can shed light on the potential consequences for small and medium-sized countries that decide to further their trade integration with China, and second, the “leading indicator” can help us to rethink the fact that pursuing a tighter trade integration will be, in and of itself, a mechanism that will bring them closer to China.

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FINAL REMARKS

The implosion of centrally planned economies and the remarkable global triumph of capitalism, coupled with a non-global yet relevant triumph of liberal democracy, has contributed to the prosperity of people living both in open societies and in closed societies, but at the same time, it has contributed to the strengthening of a host of repressive regimes (especially the Chinese regime), creating a new unforeseen pattern: China’s economy has thrived on Western-driven trade and investment from 1990 onward, and that prosperity has now become an increasing threat to freedom. The most representative example can be seen in what happened between the West, China, and Hong Kong.

So, what lessons can we learn from the developments observed so far between China and Hong Kong in terms of Beijing’s growing integration with Latin American small and medium-sized countries? Hong Kong’s relationship with China is a relatively recent historical development that provides us with valuable insights about the consequences for a small-medium open society of engaging in a far-reaching process of trade integration with a large and opaque economy, particularly with a repressive regime that has grown from 2.3% of global GDP in 1980 to 18.9% today (2023).

Taken as a mitigating factor, distance must be rethought insofar as trade integration itself represents a mechanism that brings the parties together both politically and institutionally. To maintain that the fact of being geographically far away (i.e. to believe that “we are not and will not become Hong Kong” because, for example, Montevideo is 18,330 km away) is reason enough to consider it safe to seek a free trade agreement with Beijing supposes the logical error of failing to understand that trade brings nations closer together, and the institutionalization

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of trade through a treaty deepens and solidifies that closeness in the medium term. Thus, if we assume that distance is a problem for Hong Kong and not for Uruguay, the consequent strategic decision to institutionalize an already close trading relationship would bring Uruguay even closer to China, and that would raise the question of the extent to which “getting closer” (via trade) represents an opportunity and of where the point of no return is and why. Indeed, we would need to ask ourselves why that supposed point of no return, which is so far certain, would not become an uncertain prospect in the near future.

There is yet another conceptual error around the debates on “China as an opportunity”: trade promotes empathy between the parties involved and contributes to increased harmony and peace between nations so long as it enriches societies horizontally, i.e. when the material gains from trade are distributed among actors in both civil societies, and not when — as the post-1990 development of Western trade with China illustrate — civil society actors in liberal democracies are enriched, on the one hand, but on the other hand, the state and para-state actors in the Chinese economy are primarily empowered, creating a growing asymmetry between its state apparatus, its own civil society, and the private sector in the rest of the world.

There is an insufficiently studied dimension of trade not only as a generator of wealth but also as a creator of asymmetries when it happens between a democracy and a dictatorship, and even more so when it takes place between a small and transparent democracy and a large and opaque dictatorship. The process of institutional and commercial integration between Hong Kong and China from 1997 to the present is the prime example of a small-medium open society that enjoys economic prosperity in the short term but collapses politically in the medium term

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as a result of that process. It is critical for small and medium-sized liberal democracies around the world to take note and study such a development as they feel the pressure and temptation to put short-term material benefits above the obvious negative consequences in the medium-long term. In “Latin America”, Uruguay is the nation most threatened by a closer trade integration with China because no other country combines a high institutional quality with a small size, and a high (and growing) commercial exchange coupled with a political leadership and a civil society that so far perceive only a commercial opportunity while underestimating the institutional threat.

As noted above, the Atlantic Council created the Freedom and Prosperity Center, whose primary aim is “to increase the prosperity of the poor and marginalized in developing countries and to explore the nature of the relationship between freedom and prosperity in both developing and developed nations.” That points to a relevant question, but it must be supplemented with an additional question. There has been an observed positive correlation between freedom and prosperity, but the increasing integration between the West and China has led to a new pattern that now raises the question: what is the nature of the relationship between the new prosperity and the growing fragility of individual rights, or in other words, what is the relationship between “Prosperity and unfreedom” today? This is the new and crucial question of our time: will the individual freedoms of prosperous liberal democracies be affected by the remarkable economic growth achieved by repressive regimes like China? The West has made an impact on the “East” (basically, China) through a trade integration without precedent in history. As the global economy grew at an average rate of 3.4%

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from 1980 to 2022, China grew from 2.3% of the world’s GDP to 18.9% today. That is an unprecedented combination of nominal and percentage growth — i.e., China not only grew by an average of 9.2% per year over almost 3 decades (just as Vietnam did, to name an example) but also went from accounting for 2.3% of the global economy to 18.9%. That not only means a considerable strengthening of a dictatorship, but the strengthening of a dictatorship with a population of over 1.3 billion people, which today accounts for almost 20% of the global economy.

Such empowerment — which, as we mentioned, is a direct result of the opening undertaken by the West in trade, technology, and investment — has not only had and continues to have negative consequences on the freedoms of Chinese citizens, but will have increasing consequences on individual freedoms throughout the rest of the world. That direct relationship between prosperity (of a repressive regime) and an erosion of freedoms (the direct relationship between “Prosperity and Unfreedom”) is a critical fact about our times that we have underestimated — and that we must rethink.

As such, at minute 3:24 of the documentary entitled “Hong Kong after the handover: the highs and lows of 25 years under ‘one country, two systems’”, a Hong Kong resident mentioned having misgivings after the 1997 handover:

The 1997 handover was actually a big concern for many Hongkongers because they were worried, anxious and scared. Everyone was worried that society would change after the handover, that Hong Kong’s living standard would be lowered to that of mainland China, including the degree of freedom and other things. [El traspaso de 1997 fue en realidad una gran preocupación para muchos hongkoneses porque estaban ansiosos

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y asustados. A todos les preocupaba que la sociedad cambiara después del traspaso, que el nivel de vida de Hong Kong se rebajara al de China continental, incluido el grado de libertad y otras cosas. (2022)

However, he then remarks: “But I thought since China made a promise, I decided to stay and see what would happen” (2022). That is, as a citizen he gave Beijing the benefit of the doubt, and since the regime had made a promise, he decided to stay and trust it.

That is a key point: we may debate the greater or lesser naivety in having believed Beijing’s promise back in 1997, but what we cannot do by now (late 2023) is ignore the fact that it was a false promise. The Hong Kong experience may serve as a key indicator for the rest of the world when it comes to the benefits and drawbacks of an increasing integration with China. They are not hypothetical benefits or drawbacks but concrete ones, as we know very well today what happens when a small, open society becomes integrated with a large, closed regime which begins the relationship at a size ratio of about 100 to 18 — Hong Kong was 18% of the Chinese economy in 1997 — and then, at a second point in time, (2022) at a ratio of about 100 to 2.8, as today Hong Kong accounts for a mere 2.8%.

It is important to note that, over those 26 years, both economies have prospered materially as a result of the trade integration, but the smaller, more transparent economy has certainly suffered an increasing erosion of freedoms along the way. Hong Kong thus emerges as a key example to rethink the relationship between prosperity and freedom. After the lessons learned from 1997 to the present, what would Hong Kongers do if they were

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given the choice again: to be more prosperous and have their freedoms curtailed, or to be less prosperous but freer? It is, of course, a rhetorical question. The question is how to implement change. It is a question about the challenge posed by an economic policy of transitioning to a less prosperous and freer society. While Hong Kongers can no longer go back to regain a set of civil rights, Uruguayans, Ecuadorians, or Chileans, for example, can learn from the process that has taken place.

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THE OAS-CELAC
STRATEGIC
COMPETITION AND
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THE OAS-CELAC STRATEGIC COMPETITION AND THE ROLE OF CHINA

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ABSTRACT

The People's Republic of China is increasing its presence in the American hemisphere, both bilaterally and multilaterally. At the multilateral level, it is using the Community of Latin American and Caribbean States (CELAC) as a platform to promote an alternative regional order to the one led by the Organization of American States (OAS). That new order is more friendly to autocracies

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and less committed to human rights and the fight against corruption. China has been increasing its cooperation with CELAC in a number of areas, including trade, investment, education, and culture. It has also become a major investor in infrastructure in Latin America and the Caribbean. It is leveraging its presence in the American hemisphere to challenge U.S. leadership in the region, seeking to establish a new agenda that is more aligned with its own interests.

Keywords: China, CELAC, OAS, new regional agenda.

CHINA'S DIPLOMATIC PRESENCE IN INTERNATIONAL FORUMS: OAS AND CELAC

The People's Republic of China has a well-established diplomatic presence in the American hemisphere. With the exception of Belize, Guatemala, Haiti, Paraguay, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines, all states in the hemisphere maintain diplomatic relations and/or recognize the People's Republic of China. And that diplomatic presence can also be found at the multilateral level. But China's participation goes beyond a mere presence in multilateral institutions and forums. It comes as part of an effort to blunt the Inter-American order to build an alternative order — one that excludes the United States of America. As such, little has been studied about the presence of the People's Republic of China in the organizations and political mechanisms within the American hemisphere and its strategic objectives.

Concerning inter-American institutions, the Organization of American States (hereinafter OAS) is the preeminent Pan-American international organization at the regional and continental levels. Founded in April 1948, the OAS has evolved from a mere political forum for multilateral dialogue, decision-making, and

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integration in the Americas to an institution that leads a regional order based on clear and solid foundations, espousing values including the promotion and defense of human rights, the strengthening of democracy, and the fight against corruption. China has served as a permanent observer to the OAS since 2004.

Meanwhile, in the area of political mechanisms, the Community of Latin American and Caribbean States (CELAC) provides an interesting example. Founded in 2011, this intergovernmental mechanism for dialogue wields significant political influence at the regional and even global levels by way of political dialogue and cooperation. In recent years, CELAC has pursued a transactional approach to inter-regional relations, lending a vestigial role to the values promoted by the OAS. CELAC is now aiming to position itself as the new alternative to the existing Inter-American regional order that has placed the OAS and its values at its core.

Those developments are further accentuated by the fact that Cuba, Venezuela, and Nicaragua, the main promoters of CELAC, have all withdrawn from participation, in one way or another, in the OAS. The new order promoted by CELAC is favorable to autocracies, views human rights as only a domestic issue affecting each country — rendering them invisible — and is indifferent to corruption.

The People's Republic of China (China) has not been oblivious to this situation and is using the same strategy it has used globally to overturn the rules-based international order and overhaul the Asian regional order, this time using CELAC as a means to strategically compete with the OAS. China's strategy is based on blunting the order led by the OAS and building an alternative one through CELAC. Accordingly, China has invested considerable political capital via the China-CELAC Forum in a

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process aimed at overturning the established order and building an alternative one.

The first two sections of this study provide an overview of the regional order promoted by the OAS and the one promoted by CELAC. They also discuss China's relationship with both the OAS and CELAC, focusing on the existing cooperation frameworks. After demonstrating the preeminence that China has attached to CELAC, the third section discusses the strategy followed by China and CELAC to undermine the OAS order and its Pan-American values and to build, in parallel, an alternative order that places CELAC at its center. To that end, the section looks comparatively at the efforts undertaken by Cuba, Nicaragua, Venezuela, Mexico, Guatemala, El Salvador, Honduras, and Bolivia — all showing poor performance in democracy, human rights, and anti-corruption — to “blunt” such a preeminent joint dialogue mechanism under the OAS order as the Summit of the Americas and “build” a reputation for the CELAC Summit.

THE OAS AND THE PAN-AMERICAN VALUES

The OAS was effectively established in 1948, but its institutional background dates back to the beginning of that century with the formation of the Pan-American Union. It is an intergovernmental organization made up of 35 member states — including Cuba, whose membership was suspended in 1962 and then reinstated in 2009, although Cuba decided not to reclaim it.

The Pan-American objectives pursued by the OAS are quite unambiguous and include maintaining peace and security, advancing democracy, protecting human rights, and promoting economic and social development to achieve sustainable growth in the Americas. To achieve that, the OAS has concluded a wide range of agreements that favor the

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Pan-American values of democracy, human rights, and transparency, including the American Declaration of the Rights and Duties of Man (1948), the American Convention on Human Rights (1969), the Inter-American Convention against Corruption (1996) and the Inter-American Democratic Charter (2001). It also has established clear institutional mandates to monitor and enforce those values via the organization's General Secretariat, its Electoral Observation Missions, the Inter-American Commission on Human Rights (IACHR), the Inter-American Court of Human Rights (IACHR Court), and its Anti-Corruption Mechanism.

One of the extra-institutional political mechanisms relied upon by the OAS is the Summit of the Americas. Although not formally an OAS mechanism, in practice it has played a key role in the regional order, providing a framework for developing community standards for democratic governance, human rights protection, and the fight against corruption. In many ways, the Summit represents a complementary mechanism to the OAS that further supports the current regional order. At the same time, the OAS also serves as the secretariat for the Summits of the Americas, thus establishing a pattern of formal relationship that transcends the natural informality of the Summits of the Americas.

In practice, the Pan-American values embodied in the OAS regional order are legitimized and operationalized by the various instruments and mechanisms described above. But we should note that despite constituting Pan-American values, democracy, human rights, and transparency also represent strategic weaknesses in many of the countries throughout the hemisphere, considering their limited implementation and the endemic problems associated with them. Thus, we are looking at an environment

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marked by strategic competition where disruptive players like China are seeking to leverage those weaknesses to advance their revisionist model of the world order.

In cases of deviations from the norm across the region — e.g., coups d'état, electoral frauds, systematic or egregious violations of human rights, or major acts of corruption — there are

Table 1

China's Financial Contributions 2005-2019

Year	PRC's contributions to the OAS	Contributions by all observer states to the OAS	China's % of contribution
2005	\$196,800.00	\$11,650,039.00	1.69%
2006	\$200,000.00	\$19,060,470.00	1.05%
2007	\$173,000.00	\$20,398,686.00	0.85%
2008	\$262,000.00	\$22,684,500.00	1.15%
2009	\$220,000.00	\$20,318,115.00	1.08%
2010	\$234,390.00	\$15,781,991.00	1.49%
2011	\$180,000.00	\$15,692,757.00	1.15%
2012	\$322,690.00	\$13,239,105.00	2.44%
2013	\$392,850.00	\$16,926,686.00	2.32%
2014	\$358,093.00	\$10,999,882.00	3.26%
2015	\$299,029.00	\$17,489,205.00	1.71%
2016	\$568,788.00	\$14,048,254.00	4.05%
2017	\$445,500.00	\$16,533,473.00	2.69%
2018	\$517,320.00	\$16,135,359.00	3.2%
2019	\$443,675.00	\$21,072,075.00	2.1%
Total us\$	\$4,814,135.00	\$252,030,597.00	1.87%

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mechanisms in place within the regional order to sanction or even disqualify the offending State from the system.

When it comes to sanctions, the IACHR, the Inter-American Court, and the Anti-Corruption Mechanism of the OAS play a major role. And when it comes to disqualifications, the democratic clause contained in the Declaration of Quebec disallows any participation in the Summit of the Americas by countries that do not adhere to the principles of representative democracy — as does the Democratic Charter within the OAS.

As for China, the relationship between the OAS and the Asian giant is arguably a recent development. The OAS currently has seventy-one permanent observers, and China was the sixtieth state to acquire that status (2004). Since then, China's annual contributions have ranged from USD 173,000.00 to \$568,788.00, averaging only 1.87% of annual contributions received by OAS from permanent observers between 2005 and 2019 (China Profile, 2019). Aside from those contributions, China also offers scholarship programs, with more significant cooperation projects taking the form of bilateral agreements for infrastructure projects and an expansion of its economic support programs. Thus, we are looking at a formal cooperation scenario that falls within established institutional frameworks.

CELAC, ITS ORIGINS, AND ITS RELATIONSHIP WITH CHINA

CELAC was formally founded on December 3, 2011, as an intergovernmental platform for dialogue and political cooperation bringing together the 33 Latin American and Caribbean countries and excluding the U.S. and Canada by default. One of CELAC's founding objectives was to “move decisively towards becoming an organization that brings together all the Latin

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American and Caribbean States” (Parlatino, 2020). Notably, more than a decade later, CELAC has not been formally institutionalized as an intergovernmental organization or constituted as an entity under international public law by means of a treaty.

The origins of CELAC date back to the Contadora Group, which together with the Contadora Support Group — or Lima Group — served as a precursor to the Rio Group, the initiative to which CELAC would become the successor. Interestingly, it was the Contadora Group that laid the foundations for peace in Central America and the Central American integration process through the Esquipulas I and II Agreements and with the support of the Central American Parliament (PARLACEN) and the Central American Integration System (SICA). SICA and PARLACEN — both institutions established under international law as intergovernmental organizations — were integrated into the regional order promoted by the OAS, adopting the Pan-American values of democracy, human rights, and transparency within their institutional framework. This fact stands in stark contrast to the lack of institutionalization of CELAC.

CELAC is also the successor to another informal mechanism established to promote integration: the Latin American and Caribbean Summit on Integration and Development (CALC). CELAC was officially founded at the III Summit of the CALC with the Declaration of Caracas. With the signing of a joint declaration at the Brasilia Summit of leaders of China and Latin American and Caribbean countries, the year 2014 saw the creation of the China-CELAC Forum, focusing on “the promotion of cooperation and comprehensive partnership building based on equality, mutual benefit, and shared development between China and the Latin American and Caribbean countries.” (China-CELAC Forum, 2016).

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The basis of the China-CELAC relationship revolves around cooperation in “mutually agreed key areas” where values like democracy, human rights, and transparency play a residual role at best. The areas include agriculture, scientific and technological innovation, business, think tanks, and young political leaders and political parties, and they are addressed through discussions at various sub-forums as part of the China-CELAC forum.

The China-CELAC forum notably features the ministerial meeting, the meeting of national coordinators, and the Dialogue of Foreign Ministers of China and the CELAC “Quartet” (the current president pro tempore of CELAC, the former president pro tempore of CELAC, the succeeding president pro tempore of CELAC, and the current president pro tempore of CARICOM).

China-CELAC cooperation has been broadly set out in an action plan for cooperation in key areas for 2022-24 (China MOFA, 2021). The document encompasses cooperation in policy-making and security and pragmatic-economic cooperation involving trade, investment, financing, agriculture and food, science and technological innovation, industry and information technology, aviation and outer space, energy and resources, tourism, and customs and taxation. It also encompasses social, cultural, and person-to-person cooperation initiatives on issues concerning public health, sustainable development and poverty eradication, culture, arts and sports, higher education, think tanks and youth training, and media and communication.

Notably, it also includes cooperation in sustainable development. And lastly, it includes a section on international relations and subregional and interregional cooperation, emphasizing integration across Latin America and the Caribbean with a call to strengthen cooperation between the Asian Investment and

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Infrastructure Bank and the BRICS New Development Bank, on the one side, and the Development Bank of Latin America and the Caribbean Development Bank on the other. The latter two institutions stand in contrast to the Inter-American Development Bank in the same way that the Asian Development Bank does to the former two institutions: they do not feature participation by the United States.

As part of the most recent CELAC summit in 2023, President Xi Jinping participated in the joust with a video in which he insisted on the importance of continuing to bolster the development of the China-CELAC Forum to foster a “new era” characterized by equality, mutual benefit, innovation, openness, and the well-being of all peoples (China mofa, 2023). In formal terms, as stated by Wang Yi, China supports the establishment of CELAC as a formal institution as well as its “independent exploration” of a development path that can fulfill its own conditions and the pursuit of foreign policies according to its own needs (CGTN, 2022). As such, says Wang, China is ready to work with CELAC to build an equitable, mutually beneficial, innovative, and open relationship that will benefit all peoples.

ESTABLISHING AN ALTERNATIVE REGIONAL ORDER

In a detailed study of China’s grand strategy to overthrow the US-led liberal international order, Rush Doshi discusses China’s efforts to build an alternative regional order in Asia through a variety of institutions. And Doshi’s insights about Asia can be largely applied to China’s footprint in the Americas. In his study, Doshi raises a number of questions, including why China created costly new forums (the China-CELAC Forum) or promoted others that had little visibility (CELAC), considering that more mature institutions were already in place (OAS) that could have served

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the purpose. He also questioned why China so suddenly started to promote the institutionalization of those forums, considering it had previously opposed the institutionalization of other mechanisms (CELAC). For Doshi, the answer lies in China's strategy following the 2008 global financial crisis. Before that, China's strategy was focused on blunting the pre-established international order. After the crisis, the building element was introduced: building a new international order. Thus, its aim entailed more than just hampering the effective operation of the existing institutions, as once they were weakened, those institutions were to be replaced by others with a vision that was more in line with that of China.

If we apply Doshi's reasoning about Asia to the Americas, we can find very interesting parallels like those mentioned above. And that could also largely explain China's decision to join the OAS as a permanent observer back in 2004 — before 2008 — as its purpose at the time was not to overthrow the OAS and its regional order by creating alternative institutions, but rather simply to “blunt” it and ultimately render it inoperative.

The grand strategy of blunting the pre-existing order and building a new one obviously results in competition between the institutions that represent the status quo and those that are promoting a new revisionist model. In the Americas, the emerging competition between the OAS and CELAC provides a magnificent example, as it not only perfectly illustrates Doshi's approach but also provides us with concrete cases of how such competition can materialize. At the political-diplomatic level, the most illustrative one can be seen in the IX Summit of the Americas in Los Angeles, California, USA (2022) as compared to the VII Summit of CELAC in Buenos Aires, Argentina (2023).

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Both summits were attended by 23 heads of state and government. In the case of the IX Summit of the Americas, of the 35 States that make up the hemisphere, three (3) were unable to participate (Cuba, Nicaragua, and Venezuela) on the grounds of the democratic clause contained in the Declaration of Quebec, and Saint Vincent and the Grenadines tried to lead an unsuccessful boycott following the refusal to invite the three autocracies (NationNews, 2022). It was precisely because of that refusal that Mexico, Honduras, Bolivia, and El Salvador did not participate with delegations at the level of heads of state, with all cases designating their foreign ministers as heads of delegation. The President of Guatemala, for his part, decided not to attend the meeting following U.S. accusations concerning the fight against corruption, also designating his Foreign Minister instead.

Uruguayan President Lacalle canceled his participation due to health concerns, as he had been diagnosed with COVID-19. By contrast, the VII CELAC Summit was attended by Cuba, Nicaragua, and Venezuela, as well as the heads of state of Honduras and Bolivia. And Mexico and El Salvador both sent their foreign minister and vice-president, respectively.

It is clear from the above that the main reasons that led Mexico, Honduras, Bolivia, El Salvador, and Guatemala to not participate in the IX Summit of the Americas — i.e., criticisms raised concerning democracy, human rights, and the fight against corruption — were not considered an obstacle a few months later to participate in the VII Summit of CELAC. Thus, the transactional model of intra-regional relations adopted by CELAC — which disregards the principles of democracy, human rights, and transparency — blunts the inter-American order represented by the OAS and builds an alternative order where those principles play a residual role.

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According to the report, Cuba (12/100), Nicaragua (19/100), and Venezuela (15/100) are not “free” countries on account of their poor performance in political rights and civil liberties. For their part, Mexico (60/100), Honduras (48/100), Bolivia (66/100), El Salvador (56/100), and Guatemala (49/100) — all of which refused to participate in the IX Summit because autocratic countries were not invited — are all ranked as “partially free” countries due to a mixed record in political rights and civil liberties.

The other countries in the hemisphere are ranked as “free” countries, with the exceptions of Peru (70/100, partially free), Paraguay (65/100, partially free), Dominican Republic (68/100, partially free), and Haiti (31/100, not free). Notably, China is ranked as a non-free country, with a score of 9/100.

Looking at the fight against corruption, Transparency International’s 2022 Corruption Perceptions Index yields almost identical findings. Nicaragua (19/100) and Venezuela (14/100) share, together with Haiti (17/100) — all non-free countries, as mentioned above — the bottom of the perception of corruption ranking regionally. Meanwhile, Mexico (31/100), Honduras (23/100), Bolivia (31/100), El Salvador (33/100), and Guatemala (24/100) are all ranked below the regional average, accompanied only by the Dominican Republic (32/100) and Paraguay (28/100), showing equally poor results. The only exception is Cuba (45/100), which is ranked higher than other free countries in the region, including Panama (36/100), Argentina (38/100), and Colombia (39/100), with the same score as China (45/100).

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The findings from both the *Freedom House* report and the *Transparency International index* are quite unambiguous: the group of countries that chose not to participate with their highest-level delegations at the IX Summit of the Americas, regardless of their reasons, show poor results in respect for democracy, human rights, and transparency. That is indicative of a strategy aimed at blunting the existing Inter-American order and the preeminence it accords to those principles.

The importance that the inter-American order attaches to those values becomes more evident if we read one of the concluding documents adopted at the summit: the *Inter-American Action Plan on Democratic Governance*. The document includes sections on democracy and human rights, democracy and sustainable development, transparency and anti-corruption, and citizen participation and inclusion, emphasizing the normative value of the

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Table 2
Comparison Table

Country	Summit of the Americas	CELAC Summit	Freedom in the World	Corruption Perception index
Cuba	Did not participate	Participated	Not Free	45/100
Nicaragua	Did not participate	Participated	Not Free	19/100
Venezuela	Did not participate	Participated	Not Free	14/100
Mexico	Participated under protest	Participated	Partially Free	31/100
Honduras	Participated under protest	Participated	Partially Free	23/100
Guatemala	Participated under protest	Participated	Partially Free	24/100
El Salvador	Participated under protest	Participated	Partially Free	33/100
Bolivia	Participated under protest	Participated	Partially Free	31/100

legal instruments that underpin the inter-American order represented by the OAS.

At the same time, the participation of those countries (Mexico, Honduras, Guatemala, Bolivia, El Salvador), along with such autocracies as Cuba, Nicaragua, and Venezuela, in the CELAC summit in Buenos Aires, is indicative of a commitment by those countries to build an alternative regional order. We can confirm

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this by looking at the concluding document of the VII Summit of CELAC: the *Declaration of Buenos Aires*. Although the declaration does make reference to the term human rights, it does not elaborate on its content, nor does it recognize the enforcement instruments and institutions inherent in the Inter-American system, including the American Convention on Human Rights and the Inter-American Court of Human Rights. In a similar vein, a commitment to democracy is reaffirmed without acknowledging the validity of the Inter-American Democratic Charter or making reference to specific cases of deterioration in democratic institutions that are relevant to intra-regional relations, the most notable of which are the cases of Cuba, Nicaragua, and Venezuela. Furthermore, the section on “public integrity, prevention, and fight against corruption” fails to mention the Inter-American Convention against Corruption, its follow-up mechanism, or the Lima Commitment on Democratic Governance in the Face of Corruption.

CONCLUSIONS

The institutional and normative nature of the Inter-American order structured around the OAS gives primacy to democracy, human rights, and transparency. Yet, most countries in the region are still grappling with serious challenges in each of those areas.

The status of the normativity of the Inter-American values, combined with the strategic deficiencies of certain countries, creates a breeding ground for the emergence of an alternative regional order that favors the establishment and continuity of autocracies, treats human rights as a domestic issue, and pays little attention to major acts of corruption or the establishment of kleptocracies.

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China's global strategy to blunt the rules-based international order — and its accompanying regional orders — and build an alternative order has extended beyond Asia, making its way into the Americas. The China-CELAC cooperation makes a case in point, as it has gone beyond blunting the regional order around the OAS — further compounded by the withdrawal of Cuba, Nicaragua, and Venezuela — by offering an alternative political mechanism that excludes the U.S. by default and is in practice favorable to countries showing poor performance in democracy, human rights, and transparency.

Programmatic China-CELAC cooperation in key areas is already a reality, as is China's interest in the institutionalization of CELAC. Given the lack of information on China's overall contributions to CELAC, it is difficult to make a comparative assessment of the preeminence that China gives to CELAC as opposed to the OAS.

But given China's modest contributions to the OAS and the existence of such a mechanism as the China-CELAC Forum and of an action plan to support it, CELAC is clearly part of China's strategy towards the Americas, or rather towards Latin America and the Caribbean.

A comparative analysis of the most recent OAS and CELAC summits shows that the strategic competition between the two models for the regional order is underway. The countries most likely to stand in favor of one or the other order are those with the lowest scores on freedom (human rights and democracy) and perceptions of corruption. If Cuba, Nicaragua, and Venezuela will reject the OAS order and promote CELAC as an alternative, Mexico, Guatemala, Honduras, El Salvador, and Bolivia are likely to adhere to that initiative. As such, we can see from the Freedom House and Transparency International indicators that

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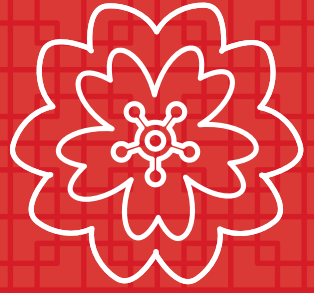
the Dominican Republic, Paraguay, and Haiti will become a significant stage for competition, considering how similar they have performed compared to that group of countries.

Given its normative approach, the OAS and its associated order seem to be losing ground to the revisionism advanced by the China-CELAC alliance. The alternative to democracy is autocracy, and the alternative to a regime that is transparent and upholds human rights is one with kleptocratic and illiberal overtones. The strategic competition between the OAS and CELAC is already underway, and the areas in which the rules-based regional order must work are now clear. We must now move from words to action.

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CHINESE DIGITAL
TECHNOLOGY IN
21ST CENTURY
AUTHORITARIAN
REGIMES IN
LATIN AMERICA:
THE CASE OF
VENEZUELA



CHINESE DIGITAL TECHNOLOGY IN 21ST CENTURY AUTHORITARIAN REGIMES IN LATIN AMERICA: THE CASE OF VENEZUELA

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ABSTRACT

The concept of “digital authoritarianism” has been gaining traction over the years as China’s technological climb has unfolded around the world, enabling authoritarian regimes to expand their reach and their tools of oppression by exerting

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social control to remain in power through the use of social tracking, surveillance, and censorship. Venezuela is no exception. In recent years, cooperation between the two governments has grown closer thanks to the increasing availability of Chinese technology in the country — and despite the prevailing opacity around the existing agreements. What control mechanisms are being used? Is the so-called “digital government” a tool that in fact supports and benefits the people or rather the authoritarian exercise of power? These are some of the questions that this study aims to answer.

Keywords: Internet, technology, authoritarianism, digital, China, Venezuela, censorship, tracking, video surveillance, government, regime, control.

KEY FACTORS

The concept of “digital authoritarianism” has clearly been gaining traction, especially if we consider not only how China has adapted its internal functioning to adopt technology-based control mechanisms but also how it has been exporting such a way of exerting power over society.

The term refers to “the use of digital information technology by authoritarian regimes to surveil, repress, and manipulate domestic and foreign populations” (Brookings, 2019). It also refers to “the uses of technology that enhance authoritarian power” (Hoffman, 2021), giving rise to a sort of “techno-authoritarianism, which is directly associated with the apparent role that Chinese technology is rapidly and exponentially playing around the world through its corporations and relationships.

Such a refinement of authoritarian strategies reflects an undeniable reality: their aim continues to be the preservation of

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power, only this time they are faced with the challenge of preserving it in the digital world — which offers infinite possibilities and opportunities but also poses serious risks if used in a way that runs counter to democratic standards. That means authoritarian regimes evolve as new tools become available to support them.

In any case, “the widespread use of the Internet has enabled the creation of spaces for freedom of expression and association, increasing citizen access to information” (Sáez, 2020) — in other words, it has been transformative and liberating. But this is part of a broader rationale that the author describes as cyber-optimism vs. cyber-pessimism. Thus, he argues that:

The Internet has often been seen as a tool to promote liberation and democratization in nations ruled by authoritarian regimes (...) however, many non-democratic governments have recently become aware of the disruptive effects of the Internet and have thus developed digital control mechanisms to enhance their authority and crack down on political opposition. (Sáez, 2020, p. 73)

According to Schlumberger *et al.*, “The digital revolution’s massive impact on politics is undisputed (...) digitization fundamentally changes social textures, political practices and sometimes outcomes (...)” (2023). However, if digital transformation is also assumed to increase the capacity of societies to respond to such practices with the use of technology (as citizen reporters have done, for example), how could authoritarian power be strengthened when, in reality, the risk of fragmentation of power is increasing and citizens have played starring roles in the real-time reporting of recent political change dynamics around the world?

Here, Schlumberger *et al.* (2023) point out the following:

(...) After initial euphoria about digitization’s democratic

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potential, more and more contributions now examine how autocrats instrumentalize digital technologies. (...) First, dictators need to gather as much information as possible on subjects in order to recognize threats. To control and manipulate behavior and beliefs effectively, accurate knowledge about who potential challengers are and what they plot is essential. Knowing (what people think, do, or plan) is thus a basic requisite that logically precedes the control and manipulation of behavior and beliefs (...). (para. 3)

Thus, technology enhances information-gathering capabilities that authoritarians can use to control people — either by obtaining as much insight about people as they can or by shaping narratives that will influence people’s behavior.

All this points to a much broader analysis that goes beyond social media and Internet censorship, looking also into the use of devices and the creation of programs aimed at building an ideal ecosystem for authoritarian rule. Accordingly, Schlumberger *et al.* continue to argue (2020) that digitization provides them with opportunities to pursue their goals of knowing what people think, influencing beliefs, and influencing behavior.

For the first goal — knowing — techniques like obtaining user data to create data banks, installing hardware components, launching co-optation campaigns, and processing and analyzing data are particularly handy. For the second goal — influencing behavior — digital repression by blocking access to information or using malware and round-the-clock technology-based surveillance are the most commonly used techniques. Finally, the authors argue that propaganda, censorship, and discreditation are used as part of campaigns and messages aimed at changing beliefs and gradually shaping the way society understands the events occurring within it.

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All this, needless to say, presupposes the implementation of structural changes aimed at facilitating technology-enabled control — a new digital infrastructure that requires experts, institutions, systems, and a thorough reconfiguration of state-society relations (Schlumberger *et al.*, 2023).

That is where China seems to have found a promising niche of opportunity to further its development vision, offering its experience and capabilities and exporting its practices to build on a new reality that requires authoritarian states to develop digital capabilities and a structure that is more effective at preserving power through repression, punishment, and surveillance.

China's ambitious plan to expand around the world by providing financing for development and infrastructure, multi-million dollar loans, and digital assistance and support — with the so-called “Belt and Road Initiative” and the “Digital Silk Road Initiative” — have attracted countries in Central Asia, Africa, Latin America, and other parts of the world (especially in regions with vast natural resources) to the possibility of strengthening ties with China, paving the way for a greater digital expansion of the Asian giant.

But that also provides an opportunity for authoritarian states in the region — such as Venezuela — to upgrade their practices and further secure continuance in power, drawing on social control and surveillance models that, just by being implemented — regardless of how developed they are in the specific South American country — will prove that technology also favors a modernization of autocratic regimes.

Following these points on digital authoritarianism, this study aims to examine China's strategy towards the world, considering how it has been successful in Latin America and especially how the close relationship between China and Venezuela

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has enhanced the social control mechanisms used by the Venezuelan government — in power since 1998 — relying on technology and specialization. The study also reflects on the current state of such dynamics and the potential consequences for the region.

Accordingly, we will first use a qualitative descriptive analysis to present a brief overview of how China took on expansion as its top strategic priority. Then, we will look at how Venezuela's traditional relations with the world have evolved over time, considering its emerging relationship with China and its associated implications. We will then specifically examine the technology mechanisms implemented in Venezuela as a result of the collaboration efforts with China to maintain ostensibly greater social control. Lastly, we will reflect on the current status of their collaboration initiatives.

UNDERSTANDING THE CHINESE MODEL

China has been using its current economic, military, and geopolitical power to enhance its relations with the world. With the role it has played and the influence it has had in the world, China's long-standing "Silk Road" — with its historical trade routes — has taken a significant turn in how it establishes relationships with the western hemisphere, with some already describing it as expansion and influence as opposed to a simple rapprochement.

This development partly reflects the so-called "Chinese dream." A term that has been used to refer to the military, economic, and cultural power that China has been seeking to achieve to mark the hundredth anniversary of the People's Republic in 2049, the Chinese dream is, to all intents and purposes, the embodiment of what China's constitution describes as the

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“great rejuvenation of the Chinese nation” and the country’s return to the forefront of the global stage as a superpower (Gordon, 2022, par. 5)

As such, in 2013, President Xi Jinping launched the Belt and Road Initiative (BRI) — interpreted as a new Silk Road — in an ambitious project to promote growth through development and investment in infrastructure, extending beyond Asia and Europe to include Africa, Latin America, and other parts of the world.

The initiative has had an unquestionable global impact, considering that at least 148 countries have reportedly signed up for projects or at least shown interest in doing so (Lewkowicz, 2023). It is thus conceived as “a huge Chinese overseas investment, connectivity, and collaboration program” (Diálogo China, 2023) that has already delivered \$1 trillion in infrastructure investments.

Under the initiative, China now become Latin America’s second-largest partner, second only to the U.S. According to an article by Oxford Business Group (2023), China has already become South America’s main trading partner, with trade growing by US\$495 billion in 2022 — compared to US\$12 billion in 2000 — and reaching an expected US\$700 billion by 2035.

THE DIGITAL SILK ROAD: IS CHINA EXPORTING DIGITAL AUTHORITARIANISM?

In 2015, the “Digital Silk Road” (DSR) initiative was launched as a complement to Xi Jinping’s original plan back in 2013. The initiative was aimed at integrating advanced technology into the Belt and Road Economy (BRI) projects, becoming the key focus of the Chinese government’s foreign policy by 2020.

McBride *et.al* (2023) report that:

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...support is allocated to improve telecommunication networks in recipient countries, including capabilities in artificial intelligence, cloud computing, e-commerce and mobile payment systems, surveillance technology, smart cities, and other high-tech areas.

This has included participation by mobile technology juggernauts like Huawei and ZTE, and other relevant Chinese players like Dahua, Hikvision, China Telecom, and China Mobile.

Quiang (sf) points out that ZTE is an illustrative case: it already operates in 50 of the 64 countries that are part of the Belt and Road initiative, expanding fiber optics capabilities and building mobile networks and mechanisms for tracking, cloud storage, data analytics, and surveillance.

According to the US Senate Committee on Foreign Relations [SFR] (2020), the other flagship case is Huawei. Operating in over 170 countries and currently the world's second-largest phone vendor after Samsung, Huawei also offers large-scale cloud solutions and communications equipment.

The exponential growth around digital development, as reported by Oxford Business Group (2023), is also evident in investment levels in Latin America. Although China's main interest remains raw materials available in the region, significant changes have been observed in the development of other sectors and supply chains, especially in telecommunications and information and communication technologies (ICTs). These sectors grew by nearly 40% compared to the previous year, progressively focusing more on investment than on construction, or at least maintaining a more balanced financing between the two categories — Brazil and Chile are cases in point — but construction remains the primary focus of China's initiatives in the region, as opposed to other geographical areas.

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All this has sparked a debate over the merits of supporting what appears to be the financing of a digital transformation versus a potential threat to freedoms in the region.

For example, Gordon (2022) argues that China could use the initiative to help the beneficiary countries adopt a technology-based authoritarian model, with governments relying on Chinese firms to develop surveillance capabilities targeting the opposition or to build real-time monitoring and censorship systems.

But, as the Oxford Business Group (2022) asks, why are these concerns growing as a result of what appears to be a global technology push plan that has already surpassed \$17 billion in loans and investments? Precisely because of the way China has been using technology at home.

A report by the U.S. Senate Foreign Relations Committee (2023) described four elements that combined can contribute to the implementation of a unified model of digital authoritarianism within China, following guidelines from the Chinese Communist Party (CCP). “This combination of technologies, tools, and regulations creates a structure where practically all citizens are surveilled, and those considered problematic to the regime face massive civil and political repression (...)” (SRFC, 2023).

One of the techniques used for that purpose is the so-called Social Credit System. According to Kobie (2019), “The system intends to monitor, rate and regulate the financial, social, moral and, possibly, political behavior of China’s citizens [...] via a system of punishments and rewards.”

The system relies on a systematic collection of various types of data — including social media — that are interconnected to a number of government agencies and analyzed to identify patterns of behavior. The report also refers to the use of facial recognition

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alongside traditional video surveillance, of which China is a pioneer and a leading player with two major video surveillance companies, Hikvision and Dahua. According to Cifci (2023), the combination of facial recognition plus traditional video surveillance has enabled widespread and permanent monitoring that is now beginning to include artificial intelligence to support ongoing surveillance using continuous and centralized big data analytics. The third aspect concerns the implementation of cybersecurity regulation — notably, the Act that was approved in 2016 and made effective in 2017. Tightly regulating Chinese cyberspace, the Act is aimed at defining the digital environment where China's control measures are to be carried out, especially by invoking the cybersecurity and national security argument and thereby allowing for special powers for the use of force whenever a threat is identified.

All this is further compounded by a fourth element that has to do with favoring investments in technology that is friendly to authoritarian environments, facilitating control and censorship mechanisms like never before. To that end, the government has been granting subsidies and has sought to secure intellectual property rights on many of the developed products (Cifci, 2023). As such, China sees technological development as the key to a controlled and secure digital space, which is why propelling its positioning in that category has become a top strategic objective.

In this broad overview of the model that China has been developing from its own strategic standpoint, it is clear why the international community is concerned about the spread of a model that, internally, has developed into a kind of formula - albeit not a perfect one - for social control. How has it worked in practice internationally? Venezuela is a case in point.

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DIGITAL AUTHORITARIANISM: AN EXPORTABLE MODEL

If one were to characterize the technology model China is putting in place at home and exporting to many countries around the world — with nuances — the following categories might come to mind, taken from Scharré’s analysis (2023):

- Artificial intelligence tools including facial, voice, and gait recognition;
- Biometric databases consisting of fingerprints, blood samples, voiceprints, iris scans, facial images, and DNA;
- Facial recognition scanners in airports, hotels, banks, train stations, subways, factories, apartment complexes, and public restrooms;
- Physical security checkpoints that may include searching for unauthorized content on cell phones;
- Wi-Fi “trackers” to collect data from nearby phones and computers;
- License plate readers to identify and track vehicles;
- Police cloud computing centers for data processing;
- Police software that tracks people’s movements, car and cell phone usage, gas station and electricity usage, and package delivery;
- “Minority identification” facial recognition systems that deliberately target minority groups, specifically China’s Uyghur population.
- A national “social credit system” consisting of a variety of databases, scores, and blacklists to enhance social and political control over Chinese citizens.

According to a report issued by the U.S. Senate Security Committee in 2020,

at least 80 countries have adopted Chinese policing and

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surveillance technologies. Even more worrisome is the export of Chinese-style rules and laws to regulate cyberspace and digital technologies, the “social software” of this new techno-authoritarianism model. China has been actively advancing its own standards for regulating cyberspace and surveillance technologies (U.S.-China Economic and Security Review Commission [USCC], 2020).

China has been sponsoring training activities on information and cyberspace policies in some thirty countries, an indication of its strategic interest in the matter. The aforementioned report notes that:

As China continues to refine the tools that make up its digital authoritarianism model, its leaders have become more aware of the geopolitical and economic benefits of exporting both the technologies and the methods for digital authoritarianism to help further preserve its model of widespread censorship and automated surveillance. (...) China is selling digital technology offering remarkable surveillance and control capabilities to authoritarian or authoritarian-leaning countries without thinking twice about the consequences. At its worst, China is combining economic investment with aggressive outreach and training efforts around Internet governance and internal regulation to further drive authoritarian values and social control methods. (SFRC, 2020)

THE CASE OF VENEZUELA: A TRIAL BALLOON?

Considering the depth and breadth of the issue in determining the full scope of the initiative and its implications, we will focus on the case of Venezuela to assess the extent to which modern authoritarianism has been strengthened and refined.

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To understand the role that China has played in Venezuela, we must first look at how the relationship built up to a strategic level — partly driven by Venezuelan oil — to the point that the two countries became key partners for quite some time.

Venezuela entered into diplomatic relations with China in 1974, although its fundamental strategic relationship at that moment and until 1998 remained with the United States. But the situation took a radical turn when Hugo Chavez came to power in 1998, resulting in a narrative, strategic, and developmental shift towards China, to the detriment of a rapidly deteriorating relationship with the U.S. — especially after the events of April 11, 2002.

Thus, what Hugo Chávez found in China — as well as in Russia and other players — was an ideological and political ally that would bring him closer ties beyond the West and, more importantly, that would allow him to leverage oil as a key component of a new diplomacy that would significantly benefit from abundant resources, this time following a multipolar rather than unipolar logic, seeking to displace the US as the hegemonic player in the system. To bring about that shift and make room for non-Western powers, the shift proved to be very useful (Mijares, 2017).

According to specialist Victor Mijares (2017), the nature of the relationship over the nearly 25 years of Chavism in power has taken various forms, but energy has consistently been present from a perspective of energy security and the financing it requires, with China enhancing its influence in the region in an effort to offset U.S. influence.

However, poor performance has pushed Venezuela's debt with the Asian country to over 60 billion dollars over the past 10 years. As such, starting in 2017 — the year Venezuela's crisis

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reached its peak in economic, political, and humanitarian terms — China’s interest in maintaining the same level of collaboration gradually began to wane. Today, there is only a constant shipment of crude oil — about 42,000 barrels per day (Aizhu and Parraga, 2022) — and some of the initial projects are still being followed up, but the liquid financing that was being poured into Venezuela has been drastically reduced, especially because shipments have fallen below the agreed levels.

According to the Andrés Bello Foundation (2023), all this was possible thanks to funds disbursed by China in the order of us\$62,231 million. Of that amount, us\$ 50.3 billion (roughly 81%) was channeled through an instrument denominated Venezuelan Chinese Funds (Fondo Conjunto Chino Venezolano and related extensions), and the remaining us\$ 11.931 billion (the remaining 19%) was channeled through credit agreements between Chinese financial institutions and state-owned *Petróleos de Venezuela, S.A. (PDVSA)*, and through transactions between the governments of the two countries.

The foundation reports that “45% of China’s loans to the region has gone to Venezuela, making the oil-producing country the largest debtor country to China in the world.” Of all the projects approved for financing, about 40% were completed. Furthermore, more than half of those projects were found to have irregularities (Fundación Andrés Bello, 2023).

To understand the performance of *chavismo* in the digital era, we can identify three key stages (Sáez, 2020). In the first stage, between 1999 and 2006, the need to integrate the country into the knowledge society made Internet access a priority policy, which led to openness and discussion on a variety of national policy issues. Then, coinciding with the nationalization of the national telephone company *CANTV*, a more hostile stage unfolded

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between 2007 and 2013, with the Venezuelan government taking over as the country's main Internet provider and with regulatory bodies like CONATEL — together with the so-called Social Responsibility in Radio and Television Act (*Ley Mordaza* or *Ley Resorte*, depending on how you look at it) — controlling the messages broadcast in the media. By that moment, there was a double dynamic taking place, reflected in the growing Internet use and the widespread presence of *chavismo* in social media, on the one hand, and in content surveillance and censorship on the other (Sáez, 2020).

According to the Varieties of Democracy (v-Dem) project, there began to be selective responses and punishments for those who criticized the government, resulting in an incipient criminalization of civil society, but *Chavismo* actively pushed the role of the “communicational guerrilla”, using the Internet to communicate with the population (Puyosa, 2019). That stage was key to progressively create a regulatory framework against civil society, culminating in the passing of the Political Sovereignty and National Self-Determination Defense Act in 2010 — after having practically declared civil society as an enemy.

The result after a major economic crisis and the waning support coming from China — except for technological support and direct infrastructure development — was a new era of increased repression and censorship in the country, with direct blocking of websites, threats to civil society, the imprisonment of many of its activists, the use of trolls in social media to steer the political conversation, arrests and raids on people linked to social media and other communication media, persecution of protest organizers in social media, and other similar measures. “As a result, since April 2013, authoritarian measures coming from Caracas and the consequent repression in the digital world

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against the opposition have intensified to unprecedented levels in the country” (Sáez, 2020).

At the same time, this stage of tightening control also brought about a new stage of refined control mechanisms and progress for the whole project. None of those initiatives were the product of improvisation. The National Economic and Social Development Plans (2007-2013 and 2013-2019) already outlined the guidelines for the development of a new digital model to exercise power and a new relationship with the world from a multipolar point of view, far from the US logic. China thus represented a key ally.

According to the VenData portal (n.d.), 486 treaties were signed between the governments of China and Venezuela between 1999 and 2019, but full information is available for only 68 of them. Amidst all the opacity, nearly 100 of those agreements are presumed to be linked to the telecommunications and technological development field.

As stated by the Venezuelan Ambassador to China, Giuseppe Yoffreda, last October,

China bolsters the eradication of poverty with its digital governance system, which consists of the systemization of everything, from the identification system to the production and distribution systems, as that is a way to ensure that no citizen is left out of the project, and that is something that should be tropicalized for Venezuela and the region, taking the work of the Chinese Communist Party as an example of such a project. (Centro Venezolano de Estudios sobre China [CVEC], 2022)

The ambassador placed particular emphasis on the role of the Chinese Communist Party in achieving centralization and control to build the entire system, thereby guaranteeing “cohesion among all policies and bringing all institutions in alignment with

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a unified structure that makes it possible to achieve a certain goal” (CVEC, 2022).

Accordingly, Yoffreda advocates the idea of creating a “shared future” in the China-Venezuela relationship, which confirms both the level of engagement they are aspiring to achieve with China and the extent to which adopting the model represents a strategic objective for the current Venezuelan administration (CEVEC, 2022). The initiatives presented below attest to that.

THE “CARNET DE LA PATRIA”, THE PATRIA SYSTEM, AND ZTE’S INVOLVEMENT

In late 2016, Nicolás Maduro announced the launch of a system called “Carnet de la Patria” (Homeland Card), which was made possible through a series of agreements with China. The system relies on a card bearing a QR code that will facilitate a variety of transactions and procedures, including utility payments and public transport. In addition, the card would serve as a key mechanism to qualify for the CLAP food boxes (Comités Locales de Abastecimiento y Producción) and receive periodic direct subsidies in bolivars from the government, and even to purchase gasoline at a subsidized price (Berwick, 2018).

The direct precursors to the idea date back to 2008, when Hugo Chávez dispatched officials from the Ministry of the Interior to Shenzhen to learn about the Chinese national identity documentation system in an effort to devise a social control mechanism for the Venezuelan population (Berwick, 2018). However, it was not until 10 years later and 70 million dollars of investment that the initiative finally started to materialize. After the visit and after meeting with ZTE, the government opted for an RFID radiofrequency format. To that end, a Cuban company was called in to sign a \$172 million agreement, the outcome of

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which is still unknown, but which was eventually abandoned due to the high costs associated with the tracking process.

Thus, in 2016, the Venezuelan government hired ZTE — which had been operating in Venezuela for years — to develop the QR code system for the *Carnet de la Patria* in collaboration with the state-owned telephone company CANTV, where there was once a unit staffed by ZTE workers that now operates separately with about 100 people who are tasked with managing the database. Originally, ZTE was considering using RFID cards, but unlike the QR system, they were not cost-effective.

A team involving a dozen ZTE developers started to beef up the capacity and security of the database, according to current and former CANTV employees. Among other measures, ZTE installed data storage units built by U.S.-based Dell Technologies Inc. (Berwick, 2018)

In addition, *Compañía Anónima Nacional Teléfonos de Venezuela* (Cantv) and its telephone operator Movilnet have partnered with China's Huawei to dispatch a delegation of Venezuelan nationals to receive training in communications in China. Manuel Fernández, president of Cantv, and Chinese state-owned ZTE signed an alliance to drive the transactional capacity of the “*Carnet de la Patria*” (national identity card) system. China agreed to engage in collaborative projects with Venezuela, including technical research and technology transfer. (Tosta, 2018)

The data collected by the system goes beyond traditional identification data such as name, surname, and place of residence. The system collects data on health, political preferences and affiliations, government benefits enrolled, income, family members, real estate owned, etc. As stated on the system's website,

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the Carnet system is used to “assess the current socioeconomic status of Venezuelans (...) and control the supply of basic goods accordingly so that families can have access to them” (Sistema Patria, 2023). As such, there are four types of benefits granted:

- Food bags, via the CLAP system.
- Housing benefits through the Gran Misión Vivienda program, offering subsidies in this category.
- Subsidized gasoline prices for beneficiaries.
- Periodic cash benefits, for special dates or as a palliative measure for the low minimum wage. (Pérez, 2018)

Today, the estimated number of affiliates to the Carnet system is over 21 million Venezuelans — out of a population of over 33 million, of which over seven million have left the country. That means that the vast majority of Venezuelans are enrolled in a system that many already label as “apartheid” and discriminatory (Singer, 2021), considering the small benefits of being enrolled while the government gets direct access to information in a context where the document is arguably almost a replacement of the identity card.

Furthermore, according to Tosta (2018), public employees are required to be enrolled in it in order to receive their monthly payments. The Carnet system has also played a role in government-controlled electoral processes, although there is no confirmation that the platform allows them to know who people voted for. But that has an effect on people, as they have reasons to fear that might be true, with a possibility of being subject to intimidation, as they can be told that, if they do not for the ruling party, they will stop receiving the cash benefit or their ID card will be taken away. The system indicates whether a person has voted or not, but not for whom. In addition, the government has been using it as a voting incentive by enabling it as an

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identity document, even if that is not stipulated in the current legislation.

The Patria system serves as a complement to the Carnet system. It can be accessed at www.patria.org.ve, where citizens have to register all their data. They must do so in order to obtain the QR code, as well as to access the cash allowances and other benefits exclusively derived from it, including the virtual wallet. All databases are managed by ZTE.

They were developed after the carnet system itself started operating, when ZTE took over the data management. During the COVID-19 pandemic, the system was used to register and update reported cases and to schedule immunization appointments. Also, cases that were found to be positive were followed up through the system.

VENAPP: SOCIAL CONTROL DISGUISED AS A SOCIAL MEDIA?

While it is true that the proportion of Venezuelans in the country who are registered in the Patria system is 9 out of 10, data collection needs continue to arise over time, not only among those who are already registered but also to attract the attention of those who are not.

With that in mind, the VenApp was introduced in May 2022, an application available for download on both Android and iOS that was designed by “which advised campaigns several campaigns that coincidentally took place during a period when activity was recorded from hundreds of fake accounts spreading misinformation and propaganda in favor of Bolivarian candidates to governorships in Venezuela. (...) It is a Panamanian firm (...)” (El estímulo, 2023), linked to other web companies.

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The interesting thing about this application is that it has been advertised on billboards in middle and upper-class areas of the country — especially in Caracas — where most of the population is not enrolled in the Patria system.

The application is part of what has been dubbed “digital government” — an initiative promoted by Maduro’s administration — where people can report in real-time failures in services or situations that require a solution to a local, state, or national management issue. But it uses geolocation, which makes services more efficient but also makes users more traceable (Carrillo, 2022). Indeed, the app needs to get access to features including location, microphone, and camera to work properly on a mobile device (León, 2022).

In addition to facilitating access to the Patria system and to what the government calls “sistema 1x10 del Buen Gobierno” (“The 1x10 Good Government System”), the application now enables real-time reporting to deliver quicker solutions. However, already in the 2021 election, the application was found to have been potentially used for electoral purposes, leveraging the extensive and detailed voter data (Red de Observación Electoral, 2023).

Although the actual number of registered users is unknown — and its purpose is still unclear — the application (not a website) clearly targets a different demographic segment of the population on which data has not yet been collected. Also, no information is available on who manages the application’s databases. However, ZTE, which manages the country’s big data, is likely feeding and receiving information and data into and from the platform, which even includes social interaction and connection features, much like a social media app. The application’s code and integrated features do not rule out the possibility of monitoring

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interactions or even access to private user data stored in the devices where it is installed.

The media outlet Efecto Coyuyo cited a source claiming that: This is an app that looks inside your cell phone to see what you are doing and supposedly uses that to deliver better content, but in practice it is actually social intelligence, registering much more specific data including what you do, where you are, who you meet, where you spend your money, where you move or go (...) Another aspect that raises suspicion is that VenApp's policy statement says that it may share users' personal data "with law enforcement, public health agents, and other government entities, airports (if required by airport authorities) as a condition for the app or other third parties to operate within their facilities, as it deems necessary." (Red de Observación Electoral, 2023)

With a still unclear purpose, VenApp seems to be emerging as an improved vehicle for data collection targeting a much more specific group of people for the 2024 elections in Venezuela.

VIDEO SURVEILLANCE SYSTEMS: SECURITY OR CONTROL?

A third element to note in this study has to do with the deployment of video surveillance systems in Venezuela, following in the footsteps of other countries in the region by adopting Chinese technology that, as mentioned above, is one of the most advanced in the world and is the global market leader. ZTE is the pioneer in the country. Starting in 2016, the company set out to centralize video surveillance for the Venezuelan government (De Feritas, 2022).

Four Chinese companies have been in charge of developing projects in this domain, the most important being state-owned China National Electronics Import and Export Corporation

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(CEIEC), which became the main supplier for the VEN911 project to replace Venezuelan state-owned CANTV for running the project in the area — similar to what ZTE, also a participating Chinese company, did with the Venezuelan telephone company's data management. Huawei also took part in the design of some of the processes in the project, and China CAMC Engineering Co. Ltd. also participated in this and other major infrastructure projects in the country (Transparencia Venezuela, 2022).

What is interesting about this video surveillance and emergency response project is that it made it clear, first, that the Venezuelan government had the intention of developing a system providing greater control by interconnecting its various agencies and institutions, and second, that it relied on technology and experience from China to do so — in addition to the funds. However, looking beyond the intention, it seems that, unlike in other countries in the region, the operating inefficiency and opacity did not let this idea move beyond the flashy ads and a few good intentions.

That said, Chinese technology is still present in other systems in the country, including border control checkpoints (using fingerprint scanners and Hikvision cameras) and public banks. Similarly, the technologies used in seaports and airports, street lighting, and toll collection with electronic tags (among other elements) are proof that collaboration with China continues to play a leading role.

On top of that, however, the growth in state surveillance using other means became evident in a report issued by the private mobile operator Telefónica, which in 2021 revealed that more than 1.5 million telephone lines had been subject to interceptions by the government — that is 20% of users (CIMA, 2022) — and most cases showed some kind of political undertone. Thus,

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the fact that a surveillance project did not become a reality in the end does not mean that progress is not being made in similar pursuits.

CONCLUSIONS

By the time of writing this paper, a new stage seems to be emerging in the Venezuela-China relationship following Nicolás Maduro's official visit to China on September 8, 2023, which included a meeting with Xi Jinping where Maduro was received with honors. With a six-day visit that included a variety of activities, meetings, and visits to strategic cities in the Asian country, the Venezuelan president is trying to regain trust and renew the stagnant relationship between the two nations amidst a pre-election backdrop in which the Venezuelan administration needs to garner support for its bid for reelection in 2024.

Even though the full implications of this new stage and the benefits it will bring to the Venezuelan government and the country are still unknown, the framework document that will govern it — the “Declaración conjunta entre la República Popular China y la República Bolivariana de Venezuela sobre el establecimiento de la Asociación Estratégica a toda prueba y a todo tiempo”, or “Joint Declaration between the People's Republic of China and the Bolivarian Republic of Venezuela on the establishment of a Strategic Partnership at all times and in all circumstances” (Ministerio del Poder Popular para Relaciones Exteriores [MPPRE], 2023) — places the relationship at the highest level seen in a long time. The initiative has been complemented with 31 new agreements signed (whose full content is not publicly known) covering a variety of initiatives related to economy, geology, healthcare, mining, habitat and housing, electric energy, and telecommunications, as well as with public

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policy, trade, education, science and technology and aeronautics — even considering the possibility of sending the first Venezuelan astronauts to the moon under a partnership that notably promotes investments in a deteriorated electric sector, exports of Venezuelan food, and crude oil shipments.

It seems reasonable to assume that such a rearrangement in the relationship will involve the repayment of the huge debt Venezuela still owes to China while providing an opportunity for the Asian giant to strengthen its influence in the region and act as a counterweight to the U.S. Despite the uncertainty as to the outcome of this new initiative, a new chapter has emerged in a context where social control design has been refined and where these types of agreements may indeed end up giving concrete expression to such aspirations of control.

It is clear now that substantial human and material resources have been invested in developing systems that will enable the Venezuelan government to know what citizens are doing in real-time and to control them using services, goods, and benefits or punishments. However, it is also clear that development in terms of ongoing data collection has not achieved the same impact and success for video surveillance and emergency monitoring systems. And the reasons for that — although not fully known — point to mismanagement of resources. To the extent that the system is improved and becomes integrated with the data collection system, the Venezuelan government could gain a greater ability to control its population, most of whom have already been subjected to a digital identity document that provides insight into much of their daily lives.

The integration of that document with the associated applications and systems means that the government has been moving swiftly to target segments of the population for electoral

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purposes, as they can be useful in a context marked by campaigning and clientelism. The government's apparent incapacity in some areas stands in contrast to its effectiveness in designing social control and monitoring mechanisms.

However, opacity remains the norm when it comes to the design of such projects and the agreements signed to execute them. All this raises the debate between the benefits of technology in bringing citizens closer to the knowledge society and greater freedom versus the use of technology to control and enhance the power of authoritarian regimes — which, given the global developments observed today, are refining their tools to dominate society and preserve their power.

The examples discussed in this study — considering not only the importance of such a relationship to Venezuela but also the global dynamics — confirm that, although there is indeed no stated intention of the Chinese government to support authoritarian regimes around the world, China's own nature and the way it has expanded its power using technology to facilitate surveillance, tracking, and control provide enough reasons to be concerned about the implications and consequences that this may have -and is already having. Following the analysis above, the problem is not the existence of Chinese companies competing in the world, but the fact that they are supported by an authoritarian regime in order to strengthen other authoritarian regimes.

That should call for reflection by democracies around the world as to the role they should play in maintaining an open digital space for all. And that involves reflection as to what could be an alternative to the digital authoritarianism model that China is exporting, relying both on citizen protection and the guarantee of free use of the digital world and on the responsibilities

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associated with them. That also involves coordination among democratic actors who must work together to promote a shared vision on the use of cyberspace and on the emerging trends — including artificial intelligence — not only to promote progress in our societies but also to counter the authoritarian influence that those mechanisms can have when used for other purposes.

Refusing to endorse authoritarian practices or allow participation by technology companies from democratic nations in practices that favor oppression is a good example of what can be done in combination with ongoing civil society scrutiny to expose the abuses and risks associated with those who violate democratic principles. Insofar as we work together to show that there are better ways to govern Internet usage and to guarantee a safe virtual space for all, it will be easier to dismantle and delegitimize the practices that give digital authoritarianism the means to flourish and develop.

To put it another way, we must say yes to technology promoting human evolution and progress, but not to make authoritarians more powerful; we must say yes to business, but not at the expense of human rights; we must say yes to trade, but without sacrificing democracy; and we must say yes to development, but respecting institutions and having clear rules.

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THE GEOPOLITICAL
IMPACT OF INCREASED
COLLABORATION
BETWEEN CHINA AND
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THE GEOPOLITICAL IMPACT OF INCREASED COLLABORATION BETWEEN CHINA AND LATIN AMERICA, 2015-2019

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ABSTRACT

An analysis of the geopolitical impact of increased collaboration between the People's Republic of China and Latin America in 2015-2019 reveals a considerable increase in Chinese presence in the region. The study examines the changes observed in relation to the main trading partner of Latin America in recent years, looking into the ease of access to cooperation from Beijing and how the signed international instruments with China often

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impose conditions on its counterparty, turning the latter into a sort of subordinate state.

Keywords: China, Latin America, Cooperation, Geopolitics, International Relations, International Relations.

THE CHINESE PRESENCE IN THE REGION

Starting in 1978, under the leadership of Deng Xiao Ping, the People's Republic of China introduced a series of liberal economic reforms, which were presented at the 11th Central Committee of the Chinese Communist Party, ultimately reshaping the Chinese paradigm regarding the economy and its role in the international arena.

Indeed, China's increased collaboration with Latin America stems from its foreign policy objectives and its intention to position itself as a relevant international player in the international arena, competing directly with the U.S., Latin America's long-standing trading partner.

This study aims to examine the geopolitical impact of China's increased cooperation in the Americas, taking the years 2015 to 2019 as a reference, in order to provide useful insights to counter the implementation of illiberal policies. To that end, we used a descriptive methodology supported by qualitative research techniques, including literature reviews, case studies, and statistical data.

We must emphasize that this study carries both theoretical and practical relevance. It constitutes a tool to examine the policies adopted by States when establishing cooperation ties with the People's Republic of China, and it can also be used as a reference for further research.

HISTORICAL BACKGROUND

Relations between China and Latin America are not new. They

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first arose in the late 16th century following the arrival of the Manila Galleon, when, given the circumstances of the time, most migrants coming from the Philippines and Malaysia — among other countries — were registered as “Chinese” or “Chinese Indians” (Connelly & Cornejo Bustamante, 1992).

Also, Chinese workers started to be hired to work in Peru and Cuba — mainly in sugar cane fields — since the beginning of the 17th century. However, as noted by Connelly and Cornejo Bustamante, it was not until the middle of the 19th century that the challenges arising in the Chinese empire and the Latin American needs converged, leading to an increased influx of Chinese people to Latin America, despite the restrictions imposed by the Ming dynasty (1992).

The situation led to what became known as the *coolie traffic*. From 1847 to 1911, China enforced a ban on emigration, but, as mentioned above, a social crisis that triggered a major economic crisis in China and the lack of solutions from political representatives led most peasants to opt for emigration.

As a result, coolie trade became a big business and a sort of parallel slave trade. On a side note, the first group of coolies was traded in the port of Amoy, which was controlled by the British in 1847. By 1855, the Americans joined the trading business to send workers to Peru and Brazil (Connelly & Cornejo Bustamante, 1992).

The situation triggered widespread demonstrations in China, with the Chinese government claiming that it could not force foreigners to comply with local laws — in a clear reference to the ban on emigration — without sparking an international conflict. However, the situation also culminated in the conclusion of the Convention of Peking in 1860, an agreement that was also signed by France and the United Kingdom and whose primary

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purpose was to regulate emigration (Connelly & Cornejo Bustamante, 1992).

The initiatives were unsuccessful, and in 1864 Spain and China established diplomatic relations, focusing particularly on coolie migration to Cuba. By 1866, the so-called “Peking Regulations” were introduced, dealing with the introduction and treatment of Chinese workers, the conditions and work environment in the host countries, and their return at the end of the contract. But the requirements were not accepted by France, the United Kingdom, and Spain. Despite their initial refusal, the three countries eventually agreed to adopt the policies laid down by Beijing and to send special missions, directly or indirectly, to prepare reports on the treatment of Chinese workers (Connelly & Cornejo Bustamante, 1992).

Based on the above, we could say that the beginning of the relations between Latin America and China was strictly migratory. But the situation would start to change following two events of international relevance.

First, the United Nations Organization passed Resolution 2758 (XXVI) in 1971, by which the UN General Assembly decided: to restore all its rights to the People’s Republic of China and to recognize the representatives of its Government as the only legitimate representatives of China to the United Nations, and to expel forthwith the representatives of Chiang Kai-shek from the place which they unlawfully occupy at the United Nations and in all the organizations related to it. (United Nations)

Second, following Nixon’s visit to Beijing in 1972, the so-called “Shanghai Communiqué” was signed, by which the two presidents committed to the normalization of diplomatic relations between the two nations, a process that culminated in 1978 during the Carter administration (Chung-mao, 2021).

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As a result, between 1970 and 1980 Beijing increased its presence in the region by establishing diplomatic relations. While China had diplomatic relations with only one country by 1960, by the end of the 1980s it had established diplomatic relations with thirteen countries, Colombia being the last country to recognize Beijing in 1980 (Rodríguez, 2009).

Figure 1 shows that diplomatic ties with the Republic of China, better known as Taiwan, started to decline in the region in the 1970s, following the change of status in the United Nations, Washington's diplomatic opening towards Beijing — considering the international context of the time — and finally, the “One China” policy adopted by the People's Republic of China, which means that those states that establish diplomatic relations with Beijing cannot recognize the autonomy and independence of the People's Republic of China, and finally, as a result of the policy of the People's Republic of China known as “One China”, which establishes that any state that establishes diplomatic relations with Beijing cannot recognize the autonomy and independence of the Republic of China, better known as Taiwan.

But it was not until the People's Republic of China joined the World Trade Organization through a series of reforms that Latin America started to develop closer economic and cultural ties with China. The reforms notably introduced a reduction of its average tariff rate from 14.1% to 6.1% over the following five years, with its products starting to enjoy more favorable conditions in the international market (Prazeres *et al.*, 2021).

THE GEOPOLITICS OF DIPLOMATIC RELATIONS BETWEEN THE PEOPLE'S REPUBLIC OF CHINA AND LATIN AMERICA

Geopolitics is the science that studies how geographic factors

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affect the policies adopted by states. According to Kjellén geopolitics is “the impact of geographical factors — broadly understood — on the political development of the lives of peoples and states” (Cuéllar Laureano, 2015).

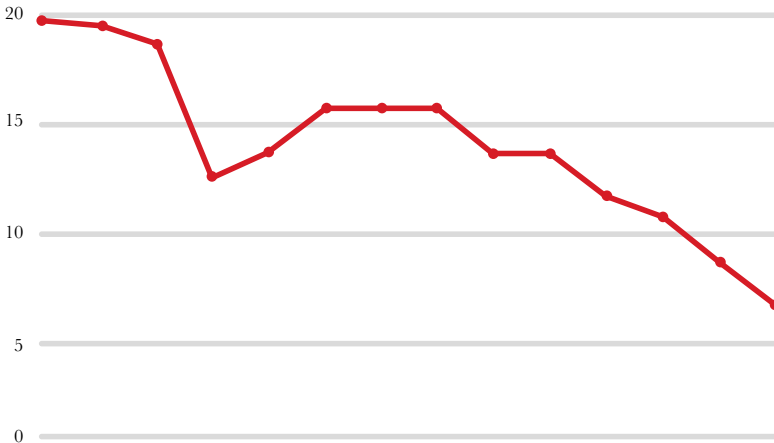
Before the concept was introduced by Professor Kjellén, other authors including Halford Mackinder and Alfred Mahan had already suggested theories pointing to the impact of maritime and land factors on states.

In a similar vein, Hans Weigert noted that, as geopolitical discussions started to boom, the editors of Karl Haushofer’s *Geopolitical Review* met to come up with a definitive definition of geopolitics:

Geopolitics is the science concerned with how political events are determined by land. It is built upon the foundations of

Graph 1.

Recognition of Taiwan in Latin America 1960-2023



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geography, especially political geography, the discipline concerned with the distinctive structure of political organizations... Geopolitics aims to provide both weapons for political action and guiding principles for political life..... Geopolitics shall and must become the geographic conscience of the state (Weigert, 1994).

Interestingly, the above definition was formulated in 1925, after the end of World War I, and, as Cuellar Laureano points out, it is the most accurate definition, considering how close it was in time to those developments and the hints at an interdisciplinary approach. (Cuellar Laureano, 2015).

Friedrich List was the first to affirm the importance and value of space, considering that states, understood as biological entities, should seek their own expansion (Atencio, 1951). Building on that theme, which was initially formulated on the economic front, Ratzel developed his theory of “living space”, defining it as the “area of influence a State needs to be able to exist.” (Atencio, 1951).

Spykman, a renowned U.S. geopolitician, was the first to call geographic determinism into question — the idea by which all events can be explained through geography (Rey Arroyo, 2023). Spykman claimed that:

The factors that condition the policy of states are many; they are permanent and temporary, obvious and hidden; they include, apart from the geographic factor, population density, the economic structure of the country, the ethnic composition of the people, the form of government, and the complexes and pet prejudices of foreign ministers; and it is their simultaneous action and interaction that create the complex phenomenon known as “foreign policy.” (Spykman, 1938).

As such, if we take Ratzel’s theory in combination with Spykman’s view on the factors shaping foreign policy, we can argue

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that the increased collaboration initiatives undertaken by the People's Republic of China in Latin America are leading to an expansion of Beijing's area of influence without involving an increase in actual physical space, as would be the case, for instance, with territorial annexation.

In line with that conception, Cayetano Garrido (2014) referred to critical geopolitics as the efforts aimed at uncovering the political affairs lying behind geopolitics, concluding that geopolitics is ultimately politics and that the various schools of thought are built to serve the political interests of States.

But that is arguably an extremely statist view of politics, as the development of history and the constant changes in international society have led to the emergence of other international non-state actors — e.g., multinational businesses and international organizations — that play a decisive role in determining how states act.

Some authors have thus identified certain lines of action that are driven by geopolitics: technological capacity, knowledge production, human capital, natural-resource potential, and geographic position. And that makes Latin America the fourth global geopolitical target (Arango García, 2020).

Along the same lines, some also point out that the notion of territory has been broadened or has shifted in such a way that geopolitics today unfolds without the need for a physical territory per se, and, as such, interests are being extended beyond geographic borders (Arango García, 2020).

Thus, “the economy, culture, language, history, education, natural resources, knowledge, science and technology, and human societies have all become territories — i.e., stages for the geopolitics of the 21st century” (Arango García, 2020).

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KEY INSTRUMENTS USED IN RELATIONS BETWEEN THE PEOPLE'S REPUBLIC OF CHINA AND LATIN AMERICA

As stated above, trade relations and commercial exchange between the People's Republic of China and Latin America arose in the late 1990s and early 2000s. However, Jenkins argues that the relationship effectively started in the wake of the visit of then-President Hu Jintao, who attended events in several Latin American countries in the context of the Asia-Pacific Economic Forum, which took place in Chile (2010).

Figure 2 shows the growth of relations between the People's Republic of China and Latin America as reflected in the growing exchange of goods and services between the two parties. The way the Chinese market has been growing in both importance and size is relevant to this analysis. While in 2001 the Chinese market accounted for 1% of the region's total exports, by 2014 the figure had risen to 9%, rivaling the European Union (Daza, 2016). And by 2020, China's share of total exports from Latin America, taking the agricultural sector as an example, amounted to 20% of the region's total exports.

Looking at the graph above, we can see that the relationship between the People's Republic of China and Latin America takes root in trade, considering the substantial increase it has shown since the late 1990s and up to the present. As Jenkins points out, "trade is the dominant factor in trade relations between Latin America and China" (Jenkins, 2010).

To illustrate in monetary terms, trade between Latin America and China in 2021 totaled us\$ 222,582 million, a 31.4% increase over the previous year (Xinhua, 2022). Similarly, in the early 1990s, the total trade volume between the two players was approximately us\$2 billion, and by 2001 that figure had risen

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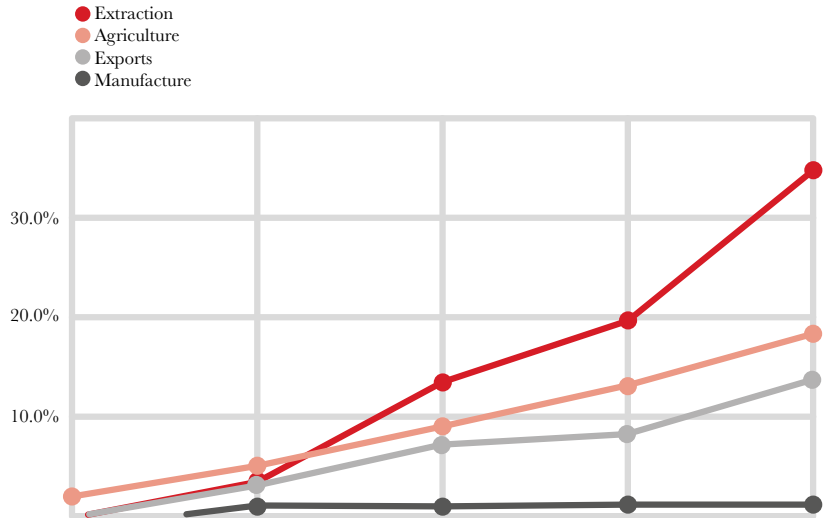
to us\$15 billion. (Blazquez-Lidoy *et al.*, 2009). As a result, the Chinese market has positioned itself as the region's second-largest trading partner.

Following a study conducted by the University of Denver's International Futures model, a baseline scenario and eight alternative scenarios were calculated for trade between China and Latin America in 2035. In the first scenario, trade continues to grow, doubling by 2035 to an unprecedented us\$700 billion, but the United States remains the region's main trading partner (Prazeres *et al.*, 2021).

While the United States remains Latin America's main trading partner, the story is different if we look at South America, where the People's Republic of China has become the subregion's main trading partner, as reported by the U.S. House Committee

Graph 2.

LATAM exports to China



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on Foreign Affairs (Foreign Affairs Committee, 2022). Prazeres and Zhang note that:

China's rise as a trading power has had profound implications for world trade over the past 20 years, and the biggest beneficiaries include key economic sectors in Latin America and the Caribbean (LAC). Trade between China and LAC between 2000 and 2020 surged from \$12 billion to \$315 billion, a 26-fold increase (Prazeres *et al.*, 2021).

TOP EXPORT MARKETS

Graph 3 shows what Prazeres pointed out: both the United States and the European Union were the main destination markets for Latin American exports in 2001. However, by 2021 most Latin American and Caribbean countries had established a greater trade flow with the People's Republic of China.

China's preferred international mechanism for strengthening its relations in the region is Free Trade Agreements or Treaties (FTAs). By 2005, China had signed and ratified a free trade agreement with Chile. Then it signed another one with Costa Rica and Peru in 2010, and with Ecuador in 2023 (Brown, 2023). On the broader international perspective, China has signed Free Trade Agreements with 25 countries, 4 of which are Latin American.

Beijing has thus prioritized bilateral free trade agreements as the path to gain greater influence in the region. We have mentioned some, but negotiations are underway to sign others with Honduras, Nicaragua, Panama, and Uruguay (Brown, 2023).

In addition to the free trade agreements between Latin American countries and China, other countries in the region have decided to adopt the yuan as their official currency in trade exchanges with China instead of the US dollar, including

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Argentina, Bolivia, and Brazil, an indication of China's growing influence in Latin America and the Caribbean (Brown, 2023).

Another mechanism used by Beijing to expand and strengthen its relations with the region is debt financing. Between 2005 and 2011, the China Development Bank (CDB) and the Export-Import Bank of China (EIBC) —China's two main Development Finance Institutions (DFIs) — granted loans totaling US\$75 billion to Latin American countries (United Nations, 2011).

Professor Gallagher of Boston University reported that, in 2010, "China granted 37 billion dollars in loans across the region, an amount that exceeds the combined value of the loans granted by the Inter-American Development Bank (IDB) and the World Bank (WB) for that year" (United Nations, 2011).

Between 2019 and 2022, Latin America received a total of US\$2.9 billion in loans from the latter two financial institutions combined, reflecting a decline in the demand for those financial instruments from 2015 onwards, as illustrated by Ray and Myers (2022) in Figure 4.

The loans granted by China's development financial institutions between 2005 and 2022 totaled US\$136 billion, with the main recipients being Argentina, Brazil, Ecuador, and Venezuela (Ray & Myers, 2022).

Considering Professor Gallagher's report that the total amount granted by China's development financial institutions exceeds the combined amount granted by the Inter-American Development Bank and the World Bank, China notably stands as the main sovereign creditor for Latin America.

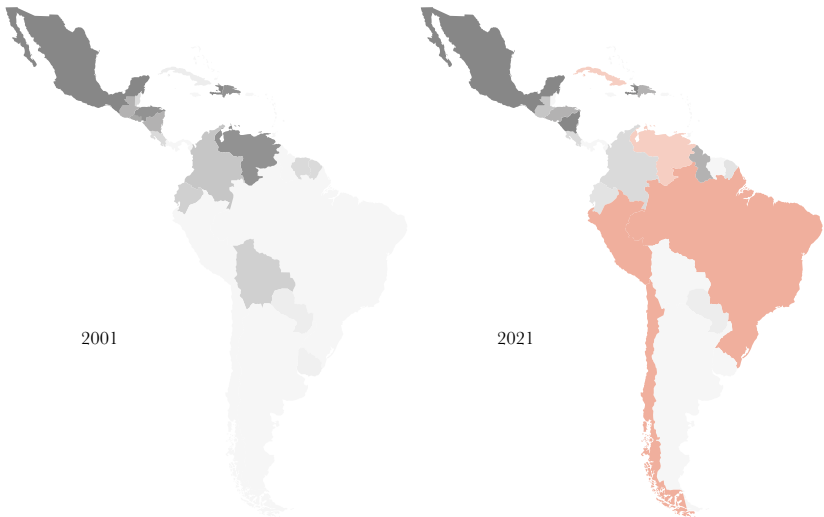
The term sovereign creditor means that the lender is not an international institution or organization, but a State. Thus, the bilateral relationship between States may take place either through a public or a private credit, but it always happens officially.

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Graph 3.

Top export markets

- US
- China
- Europe



Overall, this means that Latin America, as a region, owes more money to the People's Republic of China than to international financial organizations, which were created specifically to solve global problems (Carrillo Hidalgo & Pulido Fernández, 2012). To be clear, international financial organizations include the World Bank and the Inter-American Development Bank, among others.

The total amounts lent by the People's Republic of China to Latin American countries can be found on the website of the Boston University Global Development Policy Center and The Inter-American Dialogue.

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Venezuela is thus far the Latin American country that has benefited the most from these loans — with a total of us\$60 billion obtained through 16 loans — followed by Brazil, with us\$31 billion through 14 loans, and Ecuador, with us\$18.2 billion through 24 loans (Myers, 2021). Argentina has borrowed 17 billion dollars through 13 loans, Bolivia 3.2 billion dollars through 9 loans, Jamaica 2.1 billion through 11 loans, and Mexico 1 billion dollars through 1 loan (Myers, 2021).

All those are loans granted to Latin American countries through China’s development institutions, but there are also loans granted by China’s “Big Five” commercial banks: the Industrial and Commercial Bank of China (ICBC), the Bank of China (BOC), the China Construction Bank (CCB), the Bank of Communication (BoCom), and the Agricultural Bank of China (ABC) (Myers, 2021).

Figure 4.

CBD and Eximbank Loans to Latin America and the Caribbean



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But under the political structure of the People's Republic of China, the primary ownership of commercial banks remains with the State, with only some shares owned by private investors (Turner *et al.*, 2012). The top Latin American borrowers of these banks are: Argentina with 39 loans, Brazil with 9 loans, Chile and Peru with 4 loans, Ecuador with 3 loans, Mexico and Colombia with 2 loans, and Venezuela and Honduras with 1 loan (Myers, 2021).

We can thus appreciate both the financial capacity of the People's Republic of China and the various mechanisms it uses to increase its influence in the region.

But the moves undertaken by the People's Republic of China to extend its network of influence are not limited to Latin America. The same strategy has been deployed in different parts of the world.

It is a mechanism known as debt-trap diplomacy, consisting of the deliberate use of financial resources owned by a developed country to influence developing economies and advance its political and economic objectives (Alden, 2021).

Thus, we can say that “debt trap diplomacy is one of several approaches that states employ to achieve foreign policy objectives, actively creating positive and negative incentives” (Alden, 2021).

If we consider again the above data on the relationship between the People's Republic of China and Latin America, we can see that two-way trade and development financing are the two main tools that characterize the relationship, potentially leading to a dependence on the part of the receiving countries — in this case, Latin American countries.

Financial instruments are particularly appealing because most of them offer rates close to commercial levels — or even commercial levels — however, they all rely on participation by

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Chinese companies to carry out the projects to be financed, and the China Development Cooperation Agency (CIDCA) must develop and coordinate the strategy to deploy the aid granted (Alden, 2021).

The situation gets even more complex if we consider the increase in the number of institutions created around China's "Belt and Road Initiative" (BRI), which remains relevant despite its main center of action focusing on Europe and Asia, considering that the New Development Bank of the BRICS is located in Brazil (Alden, 2021).

Interestingly, although such loans are indeed attractive to Latin American political leaders, they are subject to no requirements in terms of governance standards or project viability and therefore include special confidentiality clauses to guarantee repayment priority over other creditors (Wintgens, 2023).

Regarding debt payment, Alden points out that China adopts a different approach for oil-rich countries in both Africa and Latin America (e.g., Venezuela and Ecuador), tying loans to an agreed volume of oil exports at a fixed price (Alden, 2021).

Indeed, starting in 2008, China started using commodity-backed loans — particularly focusing on oil — and since then Venezuela has signed a number of such agreements for a total of USD 44 billion, Brazil for USD 10 billion, and Ecuador for USD 1 billion, all in 2009. Ecuador later added more loans, one in 2010 and two more in 2011, with the latter loans totaling USD 3 billion (Gallagher *et al.*, 2013).

A 2021 study titled "How China Lends: A Rare Look into 100 Debt Contracts with Foreign Governments" found that loans granted by Chinese state-owned firms combine standard commercial and government loan conditions, but they also introduce new conditions that will both leverage the borrower

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and ensure repayment priority, and those new clauses often extend the lender's influence over the debtor's foreign and economic policy (Gelpern *et al.*, 2022).

Regarding the first point, the authors argue that post-2014 agreements with Chinese state-owned firms include or refer to very strict confidentiality clauses where the debtor must pledge not to disclose the terms of the contract or any other related information unless required by law (Gelpern *et al.*, 2022). The study also found that 30% of contracts require debtors to have a special bank account to effectively serve as collateral and guarantee loan repayment (Gelpern *et al.*, 2022). Also, three-quarters of the contracts analyzed contain the so-called "No Paris Club" clauses, and all China Eximbank and CDB contracts include clauses giving the lender the right to terminate and demand full repayment of the loan if the borrower defaults on loans to other lenders (Gelpern *et al.*, 2022).

Concerning the second point, the data collected by the researchers revealed that 50% of the CDB contracts include cross-default clauses that can be invoked with actions ranging from expropriation to acts broadly defined by the sovereign debtor as adverse to the interests of "a PRC entity" (Gelpern *et al.*, 2022). Furthermore, all contracts state that diplomatic relations between the People's Republic of China and the debtor state will be severed in the event of default, giving the creditor the right to demand immediate repayment of the loan. Finally, the authors found that more than 90% of Chinese contracts contain clauses that allow the creditor to terminate the contract and demand immediate repayment if a significant legislative or political change takes place in the debtor or creditor country (Gelpern *et al.*, 2022).

We can thus deduce that the strategy used by the People's Republic of China in its relations with Latin America is not

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unique, as the same practices have been observed with other countries, and therefore with other regions. This situation raises the question of a potential neo-structuralism in the region, drawing on the structuralist theory defined by ECLAC and advocated by Raul Prebisch, whereby developed States extract raw materials from underdeveloped States and then provide them with manufactured products.

It could also be argued that the situation gives rise to a relationship of dependence, placing the People's Republic of China in a position to make demands related to international politics and geopolitics, as has already been observed in the case of Taiwan.

Equally important, the contractual terms described in the study above go against the values upheld in liberal democracies, specifically regarding factors associated with transparency, including the acquisition of strategic assets from debtor countries, as mentioned above.

INCREASING RELATIONS BETWEEN THE PEOPLE'S REPUBLIC OF CHINA AND LATIN AMERICA

The increase or deepening of relations between Latin America and the People's Republic of China started in 2015, the year when China's "1+3+6" Cooperation Scheme was deployed, utilizing:

trade, investment, and financial cooperation as driving forces, and identifying energy and resources, infrastructure construction, agriculture, manufacturing, scientific and technological innovation, and information technology as cooperation priorities), actively explore the new "3x3" model for capacity cooperation (which refers to jointly building the three major passages of logistics, electricity, and information in Latin America,

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enabling healthy interactions among the enterprise, society, and government, and expanding the three financing channels of funds, credit loans, and insurance), and speed up quality improvement and upgrading of the cooperation between China and Latin America and the Caribbean. (Ministry of Foreign Affairs of the People's Republic of China, 2016).

Accordingly, the following proposals were approved at the China-CELAC Summit held in 2015:

a special infrastructure credit from China for USD 20 billion; preferred credit lines of up to USD 10 billion and a USD 5 billion fund, and a special agricultural cooperation fund of up to USD 50 million more (Crivelli Minutti & Brutto, 2018)

Also, a scheme for exchange among political parties, local governments, and young people was created to facilitate the new cooperation stage between the two actors. To that end, China promised to invite 1,000 political leaders from CELAC member states to visit China over the next five years and to provide 6,000 scholarship grants, 6,000 training positions in China, and 400 master's degree seats (China-CELAC Forum, 2015). The forum also hosted the launch of the "Moving toward the Future" program, "aiming to train 1,000 young leaders from China and Latin America and the Caribbean and to continue to implement the youth training program in the region" (China-CELAC Forum, 2015). (China-CELAC Forum, 2015).

Beijing is thus demonstrating its interest not only in strengthening its diplomatic relations with the region but also in seeking a greater realization of its national interests through soft power and the use of economic and trade mechanisms. An increase in trade and cultural exchange could lead to greater cooperation to achieve a definitive solution to the situation in Taiwan, considering that, as mentioned earlier, 7 of the 13 countries that

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currently recognize the Republic of China are located in Latin America.

The People's Republic of China has demonstrated its strategic commitment and its geopolitical positioning in the region with the "Policy Paper on Latin America and the Caribbean" published in 2016 and a proposal to sign a Free Trade Agreement with CELAC in 2017.

CONCLUSIONS

This study has pointed out the complexity of bilateral relations between Latin America and the Caribbean and the People's Republic of China, discussing economic, cultural, social, and political aspects arising from them.

Geopolitics, which was originally considered to be exclusively related to the changes occurring in the geographical context, has now evolved to include elements unrelated to physical territory, which is why we now speak of geopolitics without territory.

The data analyzed showed a considerable increase in China's trade activities in Latin America and the Caribbean, facilitated by various instruments including foreign direct investment, loans from Beijing-dependent entities, and bilateral trade with various actors. A significant example is the increase in trade flows, as evidenced by a comparative analysis of the evolution of China's share of Latin American exports between 2001 (roughly 1%) and 2023 (34%).

While the region's economic growth and increased trade with China may be considered beneficial, the data point to an increase in the region's dependence on the Chinese market. China has positioned itself as the region's second-largest trading partner and South America's largest trading partner.

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The loans granted via Beijing-dependent entities, albeit attractive, have proven to entail a certain vulnerability in the event of non-compliance with the contractual terms, potentially having a negative impact on the region.

China is leveraging soft power to strengthen its relations and geopolitical position in the region through political exchanges, local governance, and youth programs. The increase in scholarships offered for undergraduate, graduate, and postgraduate programs also plays a strategic role in this regard.

The increase in China's engagement in Latin America between 2015 and 2019 had a significant impact on the region in the economic, social, and political spheres. While it helped drive economic growth in various countries in the region, it also posed a number of challenges relating to the diversification of the economy and the adoption of democratic mechanisms, among other regional pursuits. China's current positioning in the region has reshaped geopolitics, bringing about greater alignment with Beijing's interests in the international arena.

It is thus important to emphasize that countries in the region must establish mechanisms and policies to promote a greater balance of power in bilateral relations with the People's Republic of China, ensuring that such relations continue to be beneficial while at the same time not jeopardizing the interests and/or sovereignty of countries in the region. Furthermore, benefits cannot be enjoyed at the expense of freedom of action for countries and individuals alike. Also, for countries that have not established formal or even partial bilateral relations with China (like Guatemala and Paraguay), the implications of establishing diplomatic relations with Beijing to the detriment of bilateral relations with Taipei must be properly explained to lobby groups that can put pressure on their governments in that regard.

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All in all, the increase in Chinese engagement with Latin America during the reported period has proven to be a complex and multi-faceted phenomenon. Its impact will continue to be the object of study and debate in the coming years as the relationship between China and Latin America continues to evolve.

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THE SHIFTING
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SMALL ANDEAN
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THE SHIFTING RELATIONS BETWEEN SMALL ANDEAN COUNTRIES (ECUADOR AND PERU) AND GLOBAL POWERS (CHINA) FOLLOWING THE COVID-19 PANDEMIC

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ABSTRACT

The authors argue that the COVID-19 crisis emerged as an exogenous variable affecting the international system, with the measures taken to curb the spread of the virus having a significant impact on the major structures of the global economy and opening up an opportunity to expand the influence of the rising world powers. The findings indicate that the effects of the pandemic on the production structure occurred only during the first year, following the measures taken to mitigate the severity of the pandemic. China increased its upward momentum in trade and profited from shaping the knowledge structure to put an end to the pandemic. Despite having a Free Trade Agreement in place with China, Peru did not turn out to be a priority, while trade, diplomatic, and credit ties with Ecuador were maintained and even strengthened.

Keywords: COVID-19, world powers, China, small countries, Ecuador, Peru, influence.

THE SHIFTING RELATIONS BETWEEN SMALL ANDEAN COUNTRIES (ECUADOR AND PERU) AND GLOBAL POWERS (CHINA) FOLLOWING THE COVID-19 PANDEMIC

In March 2020, following the report of about 4,000 deaths caused by the coronavirus disease (COVID-19) in various regions around the world, the World Health Organization (WHO) declared the outbreak a pandemic (WHO, 2020). Faced with that context, States opted for immediate suspension of activities, confinement measures, and border closures in order to stop the spread of the virus (OECD, 2020). The impacts of those decisions on the global economy were manifold.

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At the economic and production level, the Gross Domestic Product (GDP) contracted by -3.4% during the first year of the pandemic. This figure was 2.5 times higher than what was reported during the 2008 financial crisis. As for the financial sector, the year 2020 saw a substantial devaluation of shares and an increase in market volatility, reaching levels comparable to those of the 2008 crisis, as reported by the World Bank (2020). Against this backdrop, the central banks of advanced economies took measures to offer credit directly to large businesses and stepped up their asset purchase programs. Meanwhile, developing economies and emerging markets saw record capital outflows and an increase in sovereign lending spreads, as reported by Hördahl and Shim (2020).

The COVID-19 pandemic also brought to the fore the close link between the ownership of patents and licenses for drugs and technologies and the ability of countries to position themselves in the global trade and knowledge system. Herrero and Belardo (2021) argue that the availability of technical knowledge became a crucial factor that significantly impacted international relations, especially between leading powers like China and small or developing countries, including those in the Andean region.

In the political arena, policy decisions were focused on curbing the spread of the virus and mitigating the negative economic impacts of the health crisis (Boettke & Powell, 2021). As a result, foreign policies adopted competitive and individualistic approaches, reflecting global patterns akin to extractive, discriminatory, and colonizing dynamics, as suggested by Bump *et al.* (2021). These authors argue that such approaches resulted in weakened international responsiveness and governance.

As such, the health crisis had a significant impact on the main structures of the global political economy, where businesses,

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practitioners, and states all interact, as it affected everything from the economic, financial, and political spheres to even the world's body of knowledge. With that context in mind, Strange (1988) identified four differentiated structures: production, finance, policy, and knowledge. Accordingly, it is argued that changes in such international structures lead to shifts in the actions taken by the actors involved in them (Waltz, 1979). It is thus suggested that measures adopted to address the pandemic may have led States to adapt their intervention approaches, as expressed in the formulation of their foreign, trade, and cooperation policies. Such adaptations came as a direct response to the challenges arising from the pandemic and its impact on the global setting.

In this context, some countries have had to adjust their model of development and integration into the world economy so as to follow the major global powers, as is the case of Andean countries. This is particularly true in the cases of Ecuador and Peru, which have directly tied their development aims to their relations with leading world powers, even before the pandemic (Neumann & Gstöhl, 2006). Thus, the health crisis presented itself as an opportunity for major powers to expand their influence over such developing countries.

So by looking at an exogenous variable that had a significant impact on the international structure, the study highlights the importance of assessing the impact of the pandemic on the global economy. Accordingly, we can also point to the importance of looking at the relations between major economic powers and the countries that were most vulnerable to the effects and threats arising from the pandemic. The aim of this research was thus to understand the effects of such shifts in the global political, economic, and financial structure following the COVID-19

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pandemic on the ties between China — a major world power — and small countries from the Andean region (Ecuador and Peru).

THEORETICAL AND METHODOLOGICAL CONSIDERATIONS

According to data published by the WHO, the COVID-19 pandemic did not arise directly from the global economic structures, suggesting that its origin might have been zoonotic — transmitted from animals to humans — or linked to a laboratory incident (CNN, 2022). The pandemic thus emerged as an exogenous variable whose origins were unrelated to international power structures but rather surfaced as a by-product of the overall dynamics of the global economy, leading in turn to direct repercussions on economic and political relations.

As such, scholars dealing with International Political Economy have argued that the global political economy involves four major interrelated structures (Strange, 1988). First, the economic structure is defined as that which determines the nature, origin, and process of production of raw materials, manufacturing, and services (Strange, 1995). Second, acknowledging the increasing influence of finance in the world economy, they point to the financial structure whereby both credit and the values of the currencies underlying it are originated (Strange, 1988, p. 88). Third, the security structure defines who will be protected by security measures, what is considered a threat, and what price should be paid for that (Strange, 1988). Security is built around the institutional framework underpinning the State, meaning that it is directly linked to the decision-making process adopted by the State. Fourth, (Strange, 1988) the authors point to a knowledge structure that determines how knowledge is accumulated, stored, disseminated, and generated.

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Thus, the very existence of major world powers hinges on their ability to shape the structures of the global political economy (Strange, 1988). When it comes to the production structure, power means having control over the system of production of goods and services. In the political structure, power is manifested as control over the security of others, whether via threat or defense, and as the ability to persuade others in multi-lateral organizations. In relation to the financial structure, power is related to the ability to drive and influence credit. As for the knowledge structure, it is the capacity to influence technology, religion, and ideas that denotes the existence of power.

In this context, China's evolution over the past decades reflects a growing capacity to shape international structures and to benefit from that. China's economic and political rise, promoted since the late 1970s, has resulted in accelerating economic growth and a high level of investment and exports for the country, coupled with rapid manufacturing infrastructure development (Hang, 2017; Bergsten *et al.*, 2021). Indeed, between 1978 and 2010, the average annual GDP growth rate of this country was 8.72% (Chow & Li, 2002, p. 253). Such a development has led China to establish itself as the world leader in commodity exports since 2015, remaining the world's second-largest economy by GDP volume, the world's largest exporter, and the country with the largest foreign exchange reserves (IMF, 2022). As a result, the country has emerged as a leading power on the rise.

China's progress in this regard is unique in its ability to combine scale with sufficient speed to drive and shape global markets. As such, the Chinese economic growth generated a whole new income flow that emerged beyond the control of international financial institutions, capital markets, and donors, providing a basis for a higher degree of policy autonomy in highly indebted

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exporting nations (Carranco, 2018; Jepson, 2019). As a result, China emerged as one of the main drivers behind the commodity boom between 2002 and 2013.

But beyond its analysis as a major world power, it is worth looking into how it engages with small countries. Along those lines, the study of International Relations has traditionally focused on relationships between major powers. However, from the perspective of International Political Economics, such emphasis placed on States with power has been questioned to favor the analysis of the role and behavior of small nations in the international economy (Tussie, 2015). In this context, the concept of a small country involves a series of demographic and geographic criteria, but there are nevertheless nations that may not conform to those criteria and still show a conceptual profile that is consistent with that behavior and its associated vulnerabilities.

Literature on small nations has focused on a series of discussions related to how they should be conceptualized and how they relate to major global powers. Some have argued that small countries owe their status to factors including population size, geographic area, or per capita Gross Domestic Product (GDP). Sutton (2011) has proposed a conceptualization that has been widely adopted in International Political Economics, positing that the notion of a small country should refer to a country with 1.5 million or fewer people that is primarily characterized by a set of vulnerabilities that are not shown by other nations.

Alternatively, authors such as Baehr (1975) and Lee & Smith (2010) argue that, regardless of territorial and demographic factors, small countries should be defined simply in terms of their limitations. Along that line of thinking, the realist approach to International Relations identifies such nations as those that

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constitute relatively weak actors within the international system, have little influence in the world of power politics, and, as a consequence of that condition, are subordinated to the strategic interests of the major world powers (Morgenthau, 1948; Hanggi, 1998; Neumann and Gstöhl, 2006). Similarly, the neorealist approach posits that small countries do not constitute dominant players in the system, as they lack the capacity to influence or alter it (Waltz, 1979).

In contrast to such realist views, others have pointed to the factor of dependency among nations, where benefits may not be equally guaranteed for all parties. According to this view, small countries are those that must subject themselves to the strategic interests of the major world powers as a mechanism to ensure their continued existence, considering their inherent weaknesses (Salgado, 2015). As such, small countries are understood as actors engaged in dependent relationships that result in asymmetrical political and economic ties with actors having a greater degree of power.

Ecuador and Peru provide two cases of nations that can be understood from this line of analysis, as they have a dependent relationship with China. Bertóla & Ocampo (2013) argue that “the bulk of Latin American countries have not been able to overcome the tendency to specialize in production by exploiting natural resources” (p. 14). As such, having constituted themselves as Latin American countries with export-based economies, both Ecuador and Peru have subjected themselves to foreign capital. Thus, both South American countries stand vulnerable in their relations with one of their main trading and financial partners: China.

Consequently, the cases of Ecuador and Peru were selected for this study because both Andean countries have China as

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their main trading partner and thus enable comparison between a country that has had a Free Trade Agreement in place (FTA) with China since 2010, Peru, and a country that, until 2023, did not have an FTA in place with China. In addition, we have proposed a qualitative methodological analysis to establish counterfactuals and thereby assess the economic, financial, political, and knowledge impacts created by the pandemic and its effects on the ties between the studied countries.

Changes in relations between China and small nations were thus assessed using information from 2019, prior to the onset of the COVID-19 pandemic, to 2022, two years after the onset of the crisis, as far as data were available. The aim was to perform a comparative analysis of the data recorded before, during, and after that exogenous variable regarding their ties in the economic, financial, political, and knowledge spheres.

THE IMPACT OF THE COVID-19 PANDEMIC ON CHINA'S RELATIONS WITH ECUADOR AND PERU

The effects of the pandemic hit the major world powers and advanced economies belatedly thanks to the financial measures taken to reduce the economic and political impact of the crisis. In the economic, financial, political, and knowledge spheres — as well as at the global level — the effects of the pandemic were concentrated in the year 2020; however, in the case of major world powers, some variations were evident after the first year of the health crisis as compared to the previous years (see Table 1).

In the economic landscape, China was part of the minority of states that showed positive growth in the year the pandemic was declared (2.2% for 2020), and the figure rose significantly in 2021, reaching 8.1% (World Bank, 2023). However, in 2022, the

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Chinese economy grew by only 3%, one of the lowest growth rates since its economic upswing began. Nonetheless, China's economy has shown a greater capacity to reshape such a structure.

According to the United Nations (UN) (2023), the impact on the economies of those major powers was linked to new waves of COVID-19 infections that led to disruptions in supply chains. China opted for a “zero COVID” policy, which remained in force until late 2022 and relied on the confinement of large population areas in order to curb infections. Such extreme measures are reportedly behind the underperformance of Chinese production in 2022 (UN, 2023). Yet, despite China's restrictive measures, the country's contribution to world GDP growth continued on its upward trend.

Regarding the financial structure, in 2021, China's inflation rate was even lower than pre-pandemic levels (World Bank, 2023). China also continued its upward trend in contribution to global foreign exchange reserve holdings, driven by an increased value of Chinese assets in other currencies. That, in turn, indicates that China's production growth is also being reflected in monetary performance indicators.

Concerning the political structure, China reported 9 million 626,714 infections (John Hopkins Coronavirus Resource Center, 2022). Although the data coverage reported by China raised questions about its accuracy, the country pushed the narrative that its management of the pandemic had outperformed that of other world powers, portraying its governance and control model as efficient (Cabestan, 2022; Urbano, 2022). Furthermore, looking at policy decisions, China's healthcare spending increased in 2020, echoing the significance attached to the risk the pandemic crisis posed to the country's development.

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Table 1.
Effects of the COVID-19 pandemic on China

Structure	Indicators	China		
		2019	2020	2021
Economy/ Production	GDP Growth (%)	5,95	2,24	8,11
	GDP per capita Growth (%)	5,58	2,00	8,01
	Contribution to world GDP (%)	21,38	21,74	22,06
Finance	Inflation (%)	2,89	2,41	0,98
	Percentage distribution of world foreign exchange reserves (% , average)	1,945	2,135	2,655
Knowledge	Number of patent applications	1328067	1441086	1538604
	COVID-19 vaccine patent applications			573
Politics/ Security	References to pandemics in National Security Strategies	--	--	--
	Healthcare spending (% of GDP)	5,35	5,59	N/A

Prepared by the authors with data from: World Bank, 2023; EEA-Europe, 2022; IMF, 2022; WIPO, 2022; National Security Strategies Archive, 2021; Ministry of National Defense of the PRC; World Bank, 2023 & WTO, 2022.

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As for the knowledge structure, the availability of information on the pandemic, along with the number of patents filed to counter it, served as an indicator of who had sufficient power to end it and even benefit from it. In China, patent filings for all sectors increased in 2020 and the trend continued in the following years. Furthermore, according to the World Intellectual Property Organization (WIPO, 2022), following the COVID-19 vaccine rollout in 2021, China was the leading patent filer for that particular product with 573 applications.

Also, among the top 16 patent applicants for pandemic-related vaccines, there were nine Chinese medical institutes, research centers, and pharmaceutical companies (WIPO, 2022). Thus, the wealth of knowledge, particularly on the development of the vaccines needed to counter the health crisis, was largely concentrated in China. This major country was thus able to leverage the power inherent in the knowledge structure to successfully weather the pandemic storm nationwide, spearhead the sale and donation of vaccines internationally, and influence the distribution of vaccines around the world.

As such, China's rise during the pandemic became evident not only in the economic structure but also in the various aspects that provide actors with power in the global political economy. Given such circumstances, China's growing capabilities may have also led to shifts or enhancements in the country's relations with smaller nations. That is why it should be relevant to look into the Asian country's ties with the Andean States.

First, the booming China-Ecuador relationship gained further momentum during Rafael Correa's administration between 2007 and 2017 (Zapata, Castro, & Benzi, 2018). The closeness between the two nations has its roots in a discourse that runs counter to the deregulation, trade liberalization, and

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privatization policies promoted under the Washington Consensus, as well as in China's need to diversify its sources of *commodities* and position itself as an alternative to conventional financial markets (Rodríguez, 2020).

However, after Lenín Moreno was sworn in as president of Ecuador in 2017, the areas of intensified relations with China shifted as dialogue with traditional international financial institutions was resumed (Rodríguez, 2020). Similar circumstances unfolded during Guillermo Lasso's administration, who came to power in 2021 and opted to focus his attention on relations with the United States. Relations between Ecuador and China, for their part, have not waned thanks to the trade ties between the two countries.

Meanwhile, Peru has maintained strong diplomatic and economic ties with China since 2004, when Peru announced its recognition of China as a market economy to the then-Chinese President, Hu Jintao (Macciotta & Biderbost, 2023). This made Peru the third Latin American country to officially recognize the People's Republic of China (Chan, 2019). Five years later, in 2009, Peru signed an FTA with China.

The advent of the pandemic not only maintained but also reinforced China's presence in those Andean countries (see Table 2). On the economic front, China remained Peru's main trading partner. Furthermore, by 2020, China had positioned itself for the first time at the top in the ranking of Ecuador's non-oil export destinations (Banco Central del Ecuador, 2023). That is indicative of the Asian giant's growing production ties and its capacity to cope with the trade limitations imposed by the pandemic, especially in terms of transportation systems.

The economic front was further impacted by the sale and distribution of vaccines. In 2021, U.S. pharmaceuticals led

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vaccine sales in Peru, with no less than 60% of the vaccines used in the country coming from Pfizer. In Ecuador, however, over 50% of vaccines were of Chinese origin, either from Sinovac or CanSino (Wilson Data Centre, 2021). Thus, China's interest in the Ecuadorian market manifested itself not only in the traditional trade balance but also in health care.

Hence, the health crisis brought to the forefront the importance of China-Ecuador trade. Consequently, an Ecuador-China FTA was announced in the first quarter of 2022, and it was later signed in 2023.

Their close trade relations resulted in four rounds of negotiations that took place in a record time of ten months (Ministry of Production, Foreign Trade, Investment and Fisheries, 2023). It is therefore the trade links that are arguably behind China's diplomatic and economic attention to Ecuador, over other countries like Peru, with which it already has a free trade agreement (FTA).

Regarding the financial structure, neither the China Development Bank nor China Exim-Bank granted loans to any Latin American country in 2020. After the pandemic, however, Ecuador remained the third Latin American country with the highest debt with those institutions, totaling USD 18.2 billion; and their financial relationship is also made evident by three loan agreements signed with two Chinese commercial banks (Myers, 2022).

Meanwhile, Peru remained largely uninvolved with Chinese financial institutions, but in 2021 it received a loan from a Chinese commercial bank focused on the mining sector (Pu & Myers, 2022).

Despite China's financial penetration in the Andean countries, during the COVID-19 pandemic, conventional financial institutions—primarily financed by the U.S.—regained relevance. The IMF deployed emergency response mechanisms to offset the

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economic effects of the pandemic, authorizing for 2021 one of the largest cash injections in the history of the institution. In that context, Peru received USD 1,818 million in Special Drawing Rights, as a proportion of its IMF quota, and Ecuador received USD 1,000 million (IMF, 2021). As such, Ecuador's debt with the IMF amounted to USD 8.2 billion by 2022 (IMF, 2022). While Ecuador resorted to traditional financial institutions and did not accrue further debt to China, Peru maintained its overall credit interactions low, but actually increased its debt to China.

As for the political structure, Ecuador and Peru showed significant differences, with the former organizing several diplomatic visits to China while the latter none. In the case of Ecuador, the visits to China that former President Lenín Moreno made in 2020 and President Guillermo Lasso made in 2021 were centered around trade discussions (Presidency of Ecuador, 2021). And those conversations with China eventually led to FTA negotiations by 2022.

In that context, China's trade interest in Latin American countries that do not have an FTA in place with China was made clear in the White Paper published in 2016 on China's policy framework for Latin America and the Caribbean, which stressed China's status as a strategic partner for the region. The document also raises priority issues for relations with Latin America in political, trade, social, cultural and humanistic, and cooperation matters (Roncal, 2022). Thus, China's attitude towards the region during and after the pandemic merely reinforced what had already been established in the White Paper.

Lastly, regarding the knowledge structure, in 2022, China announced that it would grant 5,000 scholarships to Latin American students over the next three years (China-CELAC Joint Action Plan for Cooperation in Key Areas 2021, 2022-2024).

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Table 2.

Changes in China's relations with small countries (2019-2021).

Structure	Variable
Economy/ Production	Imports (USD)
	Exports (USD)
	Trade Balance (USD)
	Position in trade rankings of small countries (non-oil exports)
	Position in trade rankings of small countries (non-oil imports)
	Share of Sinovac-CoronaVac and CanSino vaccines used (%)
Financial	Loans from China and Chinese commercial banks (amount)
	FDI small countries (USD)
Politics	Number of diplomatic visits
	Total mentions of Latin America in White Papers
	Total value of donations made during the COVID-19 pandemic (USD)
Knowledge	Number of students in China

Prepared by the authors with data from Trade Map (2023); Central Bank of Ecuador (2022); Pro Inversión Peru (2023); Wilson Data Centre (2021);

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Ecuador			Peru		
2019	2020	2021	2019	2020	2021
3.642.230	4.320.756	5.459.574	15.195.599	14.735.456	24.184.656
3.628.574	3.252.314	5.483.432	8.513.082	8.865.726	13.302.116
-13.656	-1.068.442	23.858	-6.682.517	-5.869.730	-10.882.540
3	1	3	1	1	1
2	2	2	1	1	1
0	0	50	0	0	28
1	0	0	0	0	1
61779,3156	97768,2685	61160,7217	308700	666100	1131100
0	1	1	0	0	0
3	3	3	3	3	3
24.000.000			34.000.000		
Latest report (2017): 2,200 Latin Americans studying in Chinese universities.					

Ecuador’s Office of the President (2021-2022); National Security Strategies Archive (2022); China’s Ministry of National Defense (2023).

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The investment reflects China's interest in shaping not only the production structure but also the origin and dissemination of the knowledge that drives it. In addition, the closeness achieved within the educational structure allows for a greater understanding by small Andean countries of the Asian culture and outlook, and how they differ from Western values.

CONCLUSIONS

The advent of the COVID-19 pandemic and its effects on the global scale revealed the vulnerabilities both of the structures of the global economy and of the States that interact within it. However, they also provided an opportunity for advancement to major world powers. This analysis shows that China met the pandemic with a growing advantage in the production and knowledge structures.

The Asian giant took advantage of such a unique circumstance to demonstrate its rise to power in shaping international structures to its advantage. Furthermore, by analyzing the effects of the COVID-19 pandemic on relations between major world powers and small countries, a difference was revealed between Peru and Ecuador, determined by the existence of FTAs with major world powers. To that end, China was able to leverage the vulnerability of small countries in order to advance its interests.

Thus, considering the pandemic as an exogenous variable made it possible to analyze the implications of an external crisis on the global economy, the great world powers, and the small countries. This points to the importance of further analysis of the effects on other major world powers, on international response patterns and governance, and their long-term implications.

It also raises the importance of studying China's comparative advantage in the global production and knowledge structures

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and its practical implications. The analysis also points to potential areas for further analysis of the scope of China's areas of interest in relation to the Andean countries that go beyond a narrow focus on trade links. Similarly, as the expansion of China's influence can be seen beyond the production level, it should also be worth looking at the practical implications of its expansion in the Andean region.

RECOMMENDATIONS

This analysis has shed light on a number of areas of study that deserve more detailed attention in the context of the COVID-19 pandemic and its impact on global power structures. First, it remains paramount to delve deeper into the economic impacts of the pandemic on the global economy, examining in detail how it affected international trade, production, and supply chains. This research could shed light on the strategies adopted by different countries and regions to face the subsequent economic challenges.

Also, China's rise as a global power during the pandemic certainly merits further analysis. Understanding how China leveraged its advantage in the production and knowledge structures to advance its influence internationally will prove essential to understanding emerging power dynamics in the 21st century. This line of research could shed light on China's power procurement strategies and their implications for global governance.

Another relevant line of research concerns the analysis of relations between great world powers and small countries in the context of the pandemic. Analyzing the differences between Peru and Ecuador in terms of their trade agreements with major world powers provides a useful starting point for examining how

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those relationships shape the ability of small countries to deal with global crises like the pandemic.

International governance is also worthy of attention, as the pandemic may have led to changes in global decision-making and in the effectiveness of international institutions. Looking into such dynamics has become key to understanding how the world is adapting to global challenges.

Importantly, we must not overlook the importance of analyzing the long-term implications of the pandemic in terms of economic policy, international trade, and geopolitical power. The lessons learned from this may serve to inform not only future policy decisions but also global cooperation efforts in a post-pandemic world.

Finally, we should argue for the importance of conducting in-depth research on the expansion of China's influence in the Andean region, looking at areas beyond the production sector. Diplomacy, culture, education, and infrastructure will be key to understanding the full scope of China's influence in that strategic region.

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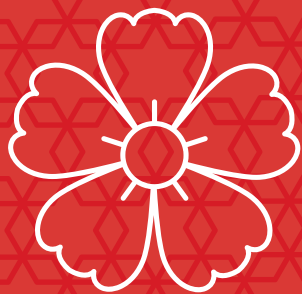
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EPILOGUE



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The Cat and Mouse Ideologies Matter: The Rollback of Liberties in Xi Jinping's China.

Manuel J. Molano

DEVELOPMENT WITHOUT DEMOCRACY, CHINA'S YEARNING FOR DEMOCRATIC COUNTRIES

There is a famous quote by Deng-Xiao-Ping from a speech he made in the late 1970s about China's shift to global markets: "It doesn't matter whether a cat is black or white, as long as it catches mice." (Buckle, 2018)

What did this mean for his people? In a word, I would say "freedom." Freedom to earn, freedom to choose, and freedom to roam, wrote Mark Buckle, an American who was fascinated with Chinese progress, in 2018.

But the story has played out differently. What Buckle saw in 2018 was freedom, but Xi Jinping, the country's leader, was entertaining a different idea long before that. Xi is the strongman — or Secretary-General, if you want to be precise with bureaucratic lingo — of the Chinese Communist Party (hereinafter CCP), and Chairman of the Central Military Commission. He is the political head of China since 2012. Xi Jinping holds ideas that diverge considerably from those of Deng, the great Chinese reformer and architect of China's project to reopen the country to the world, which reached a watershed moment a few years after he died in 1997. China's great change came in December 2001, when "the middle nation" — the literal translation of the two ideograms they use for the country's name — became a member of the World Trade Organization.

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While Mao serves as a textbook example of the failures of central planning for production in countries, Deng stands as an example of how to turn a socialist-authoritarian regime into a state-capitalist economy. Another example, almost contemporary to Mr. Deng's, can be found in the Soviet Union, which failed miserably in creating an institutional framework that would allow them to reinstate a market economy while respecting property rights. Gorbachev, the leader of the USSR, was convinced that economic reforms — *perestroika*, the buzzword in those years — could come about without a glasnost, a political reform conferring freedoms to the population. Here, the USSR failed and then collapsed. China appeared to provide proof that such a development was possible.

Mr. Xi's personal history may at least partially explain why his stance is so different from that of Mr. Deng. A documentary film produced by Deutsche Welle (2022) looks into Xi's early formative years, when his father, Xi Zhongxun, was serving as an official in the Mao Zedong era. Xi Zhongxun was part of the second generation of Chinese Communist leadership, which fell out of favor with the regime during the Cultural Revolution. And perhaps that is what has led Xi to try to assert his power by trying to prove to critics within the CCP that he is more Maoist than Mao. As a result, China has seen a rollback of freedom concerning liberties that had been gradually won over decades, especially since that clueless man walking with an errand bag in the vicinity of Tiananmen Square in 1989 ended up standing in front of a column of military tanks and partially halted their advance amid a repressive massacre carried out by the People's Liberation Army against its own people.

But before addressing Tiananmen and the liberalization of freedoms for Chinese people, we must talk about the repressive

regime that preceded those events. To talk about the Cultural Revolution, we need to talk briefly about Mao Zedong, the leader of the CCP from 1943 to 1976 and a staunch Marxist. The Cultural Revolution was a prolonged pogrom of hatred against those who voiced opposition — rationally or otherwise — to Mao’s policies. Also, Mao has been blamed for the Great Chinese Famine of 1959 to 1961. Out of sheer ignorance, Mao — the most influential political leader in China at the time, both in the CPC and in the government — pushed through policies for the collectivization of agriculture that led to shortages, starvation, and death. This leader’s policies displaced farmers from land on which they practically had millennia-old property rights and favored policies like the Four Pests Policy: killing sparrows, rats, flies, and mosquitoes under the argument that they were eating the grain, ultimately making crops vulnerable to other pests, including grasshoppers (Steinfeld, 2018).

After Mao — and thanks to Deng — China did see a transition from socialist authoritarianism to state capitalist authoritarianism. The process was indeed facilitated by the United States, dating back to President Nixon’s administration. The United States has always harbored concerns about a potential war with China. The Chinese are many, they are disciplined, they have a long history of warfare and they have amassed a large wealth of technology with military applications over the 20th century and now into the 21st century. You do not have to be a spy or have access to confidential memoranda from U.S. intelligence agencies to prove it. In 2017, the British weekly *The Economist* warned about the so-called “Thucydides trap,” an idea recently popularized by American political scientist Graham Allison which holds that warlike conflict between an emerging power and a declining one is inevitable.

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Henry Kissinger still lives, so we should ask him before he dies whether the U.S. strategy towards China in terms of building economic and commercial bridges had the desired effects or only delayed an inevitable conflict. In 1971 Kissinger paid a secret visit to China. It was a major scandal: a foreign policy advisor of such a high rank talking to an enemy power that might be supporting U.S. enemies from the region because of their communist affiliation, including North Korea and Vietnam.

Over the final quarter of the twentieth century, the U.S. made cautious but systematic investments to create business opportunities for China. That was probably an effort undertaken during the 1970s and 1980s to move the country away from the scope of Soviet totalitarianism. But then a kind of “Chinomania” took hold of the U.S. and its businesses, especially in manufacturing, as U.S. industrial consortiums wanted to get a foothold in China. Other countries, including Germany and the rest of Europe, followed suit afterward.

In 2006, the writer of this essay was working at Instituto Mexicano para la Competitividad (The Mexican Institute for Competitiveness), where the case of China was being studied indeed with astonishment, but also with fear and concern. One of my colleagues at the time, Francisco Fernandez, showed me revealing evidence: China’s products actually came from U.S. investments that were leveraging the cheap labor in the middle nation. That was, and still is, only a partial explanation as to why the North American Free Trade Agreement (NAFTA) was not all that Mexicans had hoped for. Mexico ended up manufacturing higher value-added products, including automobiles, for which geographical proximity constituted the source of comparative advantage, while China took the contracts for high-volume,

low-value-added products, including textiles, apparel, consumer plastics, and electronics, to name a few.

WINNIE THE POOH, FREEDOMS, AND THE CHINESE ECONOMY

When the Chinese leader Xi Jinping visited the U.S. in 2013, the Internet was flooded with *memes* showing a picture of Obama walking with Xi alongside a picture of Winnie the Pooh and Tigger looking very much like the two world leaders in both figure and demeanor. In 2017, China censored Walt Disney's film *Christopher Robin*, which would be released the following year. All toys, posters, and images of A.A. Milne's endearing character — at least in Disney's version — were banned in the Chinese market.

That might be an indication of the Chinese leader's poor sense of humor and thin skin, which in turn might suggest his anti-democratic and intolerant character. That should not come as a surprise to anyone. The Chinese have repeatedly and in many different ways stressed that democracy and the notion of a free society are cultural impositions from the West and have no roots in Chinese culture and traditions.

The Winnie Pooh affair is also a reflection of Mr. Xi's little respect for private enterprise and property rights. And that should come as no surprise either, as that was the main concern voiced by U.S. critics of the rapidly growing pattern of U.S. corporate investment in China. Protected under the international patent system, products from U.S. firms began to appear under Chinese brand names in global markets at ridiculously low prices. Industries like the U.S. steel industry have had ongoing concerns about low prices in China, which are not just driven by low labor costs. Steel mills are local government businesses that systematically

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ignore capital costs in order to create jobs and secure additional sunk investment funds from the Chinese national government. Other industries including light manufacturing have repeatedly voiced concerns among China's competitors over the fact that China effectively employs quasi-slave labor with no collective bargaining possibilities and no social security or tax systems to regulate their activities.

The writer of this essay worked in the textile-garment industry in Mexico between 1997 and 2000, around the time when China was beginning to become dominant in global markets and just before the country acceded to the World Trade Organization. In 2000, the dollar price of the manual labor content of manufactured apparel dropped to one-third of its 1997 level. Finished garments came to the Mexican, Canadian, and U.S. markets at sales prices well below the integrated cost for highly efficient firms in Mexico. Such is life, and such are today's markets. Many of the companies that saw great promise in the Mexican "maquila" of certain low-value-added products had to close down, not only in Mexico but also in other countries competing with China. For the first two decades of this century, many economists were appalled by that idea, as it became increasingly clear that China's model of state capitalism allowed for the free movement of capital between sectors, disregarding intellectual property, and driving artificially low prices under a paradigm of zero freedom for Chinese workers. Over those two decades, the cases of suicide at FoxConn — the firm hired by Apple to produce its electronics — emerged as hard evidence that there was a dehumanizing and illiberal process underway in that country, propelling its growth at rates of over 8% per year while undermining growth in other countries with democratic, trade unionist, and freedom-based traditions around the world.

SAVINGS AND INVESTMENT, THE SOCIALIST SACRIFICE

One of the things that pro-China economists rub in the face of the rest of us is China's sky-high savings and investment rates. At rates of over 50% of GDP each year, it would appear that much of the Chinese economy's secret to unlimited growth was investment.

Some of the investments are quite impressive, including the high-speed rail network, currently the largest on the planet. It is actually larger than all the other existing networks added together. In Latin America, enthusiasm for investment in infrastructure has found a strategic ally in China.

With only a few exceptions, China has lent large amounts to most Latin American countries, just as it has done in Africa, the Middle East, the Pacific, and other regions of the developing world. For most of those countries, the debt to China has become practically unpayable. As a consequence, such economic ties will make it difficult for countries indebted to China to shift their ideology towards liberal democracy, and they are more likely to opt for authoritarian regimes.

The socialist formula demands sacrifices from the population to ensure the development of countries. That has been a deep-rooted tradition in Marxism-Leninism. The case of China is no exception. The Chinese state needs a high rate of savings and investment to build the country that its leaders envision, one that has to rely on a population living in hardship. China does not have an open capital account with the world. Its currency, the renminbi, has limited convertibility to other currencies. Chinese nationals cannot freely invest in bonds, stocks, and other assets outside China or denominated in currencies other than the local currency. But there is a downside to such a strategy. If you

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save more than 50 percent of your income, you will eventually run out of domestic businesses where that capital can make a reasonable return.

High levels of savings and investment are not a hallmark of Marxism. Some analysts have called this strategy “The Asiatic mode of production” because that is what Japan did after 1945 and South Korea after the war with the North in 1950-53.

Consumer prices are quite high, tax rates are quite high, and the mandated savings rates — through pension schemes, for example — are quite high. That is how each worker can be given a larger capital endowment, eventually leading to improvements in labor productivity. But such a model will eventually run out of steam because you cannot keep both the capital market and consumption in check forever. Livelihood decision-making within households relies on consuming portions of their accumulated wealth and refraining from any additional efforts. Economies are thus left without any incentive to grow, which has been the case in Japan for the last two decades.

In China, a large share of such investments ended up in real businesses, leading to a speculative bubble. The downfall of Evergrande — a real estate conglomerate whose ability to repay loans relied on inflated property prices — has had ripple effects on the Chinese economy. But already before the insolvency of the firm in 2021, there were signs that investment opportunities in the Chinese economy were drying up. Empty cities, empty roads, and trains going nowhere were some of the signs from as early as the 2010s. The Chinese economy is missing a key ingredient for the proper functioning of markets: individual initiative, and a State that wishes for the prosperity of its citizens. Instead, the Chinese state is concerned about the prosperity of the Chinese, lest citizens become wealthy and decide to

become free and dispense with the higher bureaucracy and the CCP.

Naturally, all this has given rise to all kinds of parallel markets that enable the country's citizens — especially those of high net worth — to buy assets in places where property rights are better enforced. Just like the wealthy in Russia, Latin America, the Middle East, Africa, and other corners of the developing world, high-net-worth individuals in China would much rather park their wealth in the U.S. or Europe, or at least Australia. That is also the origin of the Chinese government's outright rejection of cryptocurrencies — and of its unflinching discomfort with the recent decline in the real value of the U.S. dollar. With the depreciation of the dollar, U.S. debtors have significantly reduced the value of their debt to Chinese creditors, and, of course, such a transfer of wealth to the U.S. does not sit well with the Chinese government.

However heavy-handed the regime may be, the exodus of capital has been relentless. But even so, the Chinese economy may well grow at a rate of over 5%. In an editorial published in March 2023, the British magazine *The Economist* claimed that this year's forecast — “around” 5%, according to the official forecast issued six months ago — will not be particularly impressive, as conditions are not conducive to growth. For one thing, orders from the U.S. have declined following the Biden administration's strategy to reduce the U.S. economy's dependence on China.

There have also been some self-inflicted blows: China's COVID-19 strategy has been absolutely draconian. And although it has since been rolled back, it continues to weigh on the capabilities of the Chinese economy, even at the time of writing this essay, in October 2023.

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An additional note on the Chinese economy: it is actually two economies. We have all been impressed with the images of Chinese cities full of cars, people, and super-modern buildings. But the story is quite different from the point of view of the rural fringe, as people there live just as medieval peasants did in Europe. In urban China, policymakers aim to produce some 12 to 13 million jobs per year. For a country with a population of 1.5 billion, that figure is ridiculous. Instead of just trying to create jobs, the Chinese — and other developing countries as well — must find ways to create various kinds of opportunities (education, entrepreneurship, and employment) for citizens, especially in sectors where wages are the lowest. That is precisely in those sectors where progress, technological disruption, and growth may be highest, and where resources may be caught up in the inefficiencies, in order to produce wealth in those activities, goods, and services with the greatest economic potential.

CHINA IN THE GLOBAL ARENA

China's ambition of "setting the terms of a new world system [...] certainly seems clear enough in the Party-state's official—and officially permitted—narrative [...] [which] differs in critical ways from the essentially open and pluralist operating system of the international schema it aspires to replace." (Ford, 2015, p. 441). That is, in any event, the account given by Dr. Christopher Ford, a U.S. diplomat and academic who is a leading expert on China. But then Ford adds to the above statement:

Beyond vague imaginings of a world in which Asia has been reconstructed along Sinocentric lines and everyone in the rest of the world accords the Middle Kingdom the respect and honor it feels it deserves as the civilizational center of humanity and

engine of global peace and harmony, there is as yet little sign of concrete thinking, much less of planning for precisely how to create such an order (p. 441).

Ford claims that it may well be that those Confucianist ideas that constitute preconditions for China's desire for supremacy are indeed constituting the impediment to the development of a plan to build such an order. Indeed, under classical Confucianism, the preeminent moral authority alone will instantly establish political authority as a result of recognition by others. One thing that has gone unchallenged, Ford says, is the fact that China at the very least imagines itself as the undisputed hegemonic power in Asia, but, at the same time, the Chinese do not see themselves as hegemon because colonialism is a Western idea that holds no interest for them. They simply "know" that they deserve global leadership — one where they will not become the world's police enforcer like the U.S., but rather "the father of all nations" (Ford, 2015, p. 445).

That wish would materialize all of a sudden in the digital realm with the launch of a social media platform that has become widely viral around the world (TikTok) and with the disruptions China's great digital wall has created in the operation of Internet sites outside of China. The U.S. has responded with technology blockades on companies such as Huawei and by preventing artificial intelligence technology from ending up in the hands of the Chinese.

The recent difficulties the U.S. has been facing since the financial crisis of 2008-09 — perhaps coupled with the crisis-ridden American democracy after President Trump — have prompted China to try to export and spread its ideology to compete with that of the U.S. (Ford, 2015, p. 449).

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THE FUTURE

Western liberals are banking that China will not be able to sustain its development trend unless it adopts some of the behaviors of Western liberal democracies: direct voting, political representation, iron-clad property rights, individual, corporate, and ideological freedoms, and all those things that Xi Jinping and his acolytes in the Chinese government and CCP say have come as “cultural impositions from the West.”

But we liberals might be wrong. There is no conclusive statistical evidence in economic development theory of a significant correlation between economic growth and freedoms or democracy. The long-term momentum of free and democratic nations may well be greater than that of authoritarian ones, which typically experience growth in waves that will quickly dissipate. That is at least the hope of those of us freedom enthusiasts who, following McCloskey and other historians, agree that humanity has progressed like never before following the Age of Enlightenment and the establishment of broader freedoms for individuals. As much as Xi Jinping and the world’s dictators may not like the idea, the success they have enjoyed over the 20th and 21st centuries has stemmed from the success of free, capitalist, and democratic nations. The economic spillover effects have even reached their authoritarian confines, no matter how much the authoritarians in every country like China try to keep people “making sacrifices” for the sake of the revolution or some utopian idea.

People will typically flee from authoritarian and poor places like Venezuela. Without prosperity, China would quickly become a highly repressive nation and a breeding ground for migrants. Moreover, the impoverishment would lead to a crisis where people would inevitably ask for more personal freedoms — if

they were to stay. In the more than five thousand years of existence of that nation — arguably one of the world’s oldest nations — that phenomenon has certainly taken place many times.

In the late 1940s, Chinese nationalists fled to the island of Formosa, known today as Taiwan. With regulations and policies more akin to those of Western liberal democracies, the Taiwanese have become a global technology powerhouse, even as they are based on an atoll with virtually no natural resources and despite China’s refusal to grant them political independence. The same happened to the Chinese residents of Hong Kong, who lived for a century under the rules of the British commonwealth: they prospered against the best predictions of their socialist neighbors. As such, the CCP is now seeking to take over Taiwan and Hong Kong. Just like other socialist regimes, and despite their impressive turn towards capitalism in the last decades, in the end, they did not deliver much more than misguided illusions, madness, and death — and that is why they must now try to take hold of any form of wealth they can get their hands on.

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